

ANNEX

INTERNATIONAL MARITIME ORGANIZATION

FINANCIAL STATEMENTS

YEAR ENDED 31.12.2015

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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 2015.

2 The Report of the External Auditor on the audit of the 2015 financial statements, together with his opinion thereon, are also submitted to the Council as prescribed under financial regulation 12.10.

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

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

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

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

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

"The mission of the International Maritime Organization (IMO), as a United Nations specialized agency, is to promote safe, secure, environmentally sound, efficient and sustainable shipping through cooperation. This will be accomplished by adopting the highest practicable standards of maritime safety and security, efficiency of navigation and prevention and control of pollution from ships, as well as through consideration of the related legal matters and effective implementation of IMO 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 2015 to cover the period 2016-2021, has defined **14 strategic directions** (SDs), which are key to delivering its mission. The strategic directions (SDs) for enabling IMO to achieve its mission objectives in the years ahead can be considered under three broad categories:

- .1 enhancing the status and effectiveness of the Organization (SDs 1, 2, 3 and 4);
- .2 developing and maintaining a comprehensive framework for safe, secure, efficient and environmentally sound shipping (SDs 5, 6, 7, 8, 9, 10 and 14); and
- .3 enhancing the profile of shipping and instilling a quality culture and environmental conscience within the shipping community (SDs 11, 12 and 13).

9 The SDs are:

Enhancing the status and effectiveness of the Organization

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

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

SD 2 IMO will foster global compliance with its instruments governing international shipping and will strive for 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 ITCP;
- .3 contributing to the realization of the relevant Sustainable Development Goals (SDGs), including through the development of major projects targeting emerging issues;
- .4 meeting the needs of its developing Member States; and

.5 further improving the delivery, utilization, efficiency and effectiveness of its technical assistance and cooperation programmes.

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

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

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

- .1 identifying and addressing possible adverse impacts;

.2 developing and facilitating the implementation of effective measures for mitigating and responding to the impact on the environment caused by shipping incidents and operational pollution from ships;

.3 contributing to international efforts to reduce atmospheric pollution and address climate change; and

.4 increasing the emphasis on the role of the human element in environmentally sound shipping.

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.

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.

SD 14 IMO will seek to ensure better regulation through a systematic approach and also that its instruments are free from administrative requirements that are disproportionate, obsolete or unnecessary. The Organization will continue its efforts to reduce administrative burdens in IMO instruments without compromising safety, security and the protection of the environment.

Enhancing the profile of shipping and instilling a quality culture and environmental conscience within the shipping community

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 as well as being a promoter and enabler of sustainable development, 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 – HIGHLIGHTS OF 2015

10 2015 saw IMO actively pursuing its targets and objectives in a wide range of subject areas. Some of the highlights of what was a busy, varied and successful year for the Organization are summarized below.

Maritime safety

11 Mandatory crowd management training for key personnel was agreed, in principle, in a review of passenger ship training requirements. The review is part of the long-term action plan on passenger ship safety agreed following the Costa Concordia incident in January 2012. Requirements for evacuation analysis will be extended to all passenger ships, not just ro-ro passenger ships, as part of the ongoing work programme to improve passenger ship safety. Draft amendments to SOLAS to clarify when watertight doors may be opened during a voyage were also approved. These will apply to all ships. The long-term action plan on passenger ship safety was updated, to include among other initiatives, development of guidelines for comprehensive risk assessment, passage planning and position monitoring; effective bridge resource management and to remove distractions.

12 A new mandatory code for ships fuelled by gases or other low-flashpoint fuels (IGF Code), together with associated SOLAS amendments, was adopted. The use of gas as fuel, particularly LNG, has increased in recent years due to its lower sulphur and particulate emissions than fuel oil or marine diesel oil. But such fuels pose safety challenges. The IGF Code contains mandatory provisions for the arrangement, installation, control and monitoring of machinery, equipment and systems using low-flashpoint fuels, to minimize the risk to the ship, its crew and the environment.

Environmental protection

13 The environmental part of the International Code for Ships Operating in Polar Waters (the Polar Code) was adopted. The Polar Code covers the full range of design, construction, equipment, operational, training, search and rescue and environmental protection matters relevant to ships operating in waters surrounding the two poles. The environmental part of the Code is mandatory and covers prevention of pollution by oil, control of pollution by noxious liquid substances in bulk, prevention of pollution by sewage and garbage from ships, adding additional restrictions to the discharges permitted under MARPOL.

Security and migration

14 Agencies concerned about the loss of life, injury, trauma and serious human rights violations affecting migrants, asylum-seekers and refugees traveling by sea met at IMO in March 2015 and pledged to work together in a coordinated approach. The High-Level Meeting to Address Unsafe Mixed Migration by Sea heard predictions that 2015 would turn out to see significantly higher numbers of migrants trying to cross the Mediterranean in inherently unsafe vessels than during 2014 – a prediction sadly borne out by International Organization for Migration (IOM) figures as the year closed.

15 The 29th session of the IMO Assembly in November-December 2015 commended all merchant vessels and their crews who had participated in rescuing migrants at sea for their bravery, professionalism and compassion, upholding the highest traditions of the sea. It requested the Secretary-General to issue special certificates, retroactively, from 1 January 2014, to any merchant vessel and its crew participating in the rescue of mixed migrants at sea, recognizing the risks involved to both rescuers and the rescued, in particular in those cases involving multiple survivors.

Legal matters

16 The Nairobi International Convention on the Removal of Wrecks entered into force on 14 April 2015. It provides the legal basis for States to remove, or have removed, shipwrecks that may have the potential to affect adversely the safety of lives, goods and property at sea, as well as the marine environment. It also provides uniform international rules for the prompt and effective removal of wrecks located beyond territorial seas. The Nairobi Convention was adopted at an IMO international conference held in Kenya in 2007. On entry into force, it had 22 Contracting States which represented 37.64% of world merchant shipping tonnage. As of 16 December 2015 there were 25 Contracting States to the Convention representing 58.09% of world merchant shipping tonnage.

Projects and technical cooperation

17 A major new project on technology transfer in the energy efficiency field was launched. The GEF-IMO-UNDP Global Maritime Energy Efficiency Partnerships Project (GloMEEP) aims to support increased uptake and implementation of energy-efficiency measures for shipping by building understanding and knowledge of technical and operational measures in order to lead maritime transport into a low-carbon future. The GloMEEP project is focusing on developing countries, where the world's fleet is increasingly based. One component of this project will facilitate a public-private partnership at global level in order to identify a range of emerging technologies. These could include sleeker ship designs to reduce friction and drag, more efficient propellers, the use of renewable energy on ships (like wind, wave and solar power), waste-heat recovery and intelligent routing to avoid adverse tides and currents – all of which could make significant improvements to a vessel's efficiency and help reduce its carbon footprint.

18 The World Maritime University (WMU) celebrated a move into expanded, state-of-the-art premises centred on the refurbished historic Malmö Harbour Master's Building as new WMU President, Dr. Cleopatra Doumbia-Henry, took office. The Nippon Foundation, a Japanese philanthropic organization that promotes social innovation, announced it was willing to establish a US\$100 million endowment fund to support expansive and innovative activities at the WMU.

MONITORING OF OUTPUTS AND OUTCOMES

19 At its 113th session, the Council considered the outcome of a fundamental review of the current strategic plan and approved the development of a new strategic planning process to ensure simplicity and to make sure that the strategic plan would continue to serve the Organization going forward. At its 114th session, the Council endorsed the process and agreed that it should be open to participation by all Member States and approved the timeline to finalize the strategic framework in time for implementation in the 2018-2019 biennium.

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

21 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 and the sub-committees throughout the biennium.

22 Table 1 below shows the status of delivery of the 157 outputs that were active under the HLAP for the 2014-2015 biennium. It should be noted that due to the removal of the Secretariat's outputs from the HLAP and an exercise to minimize duplication of planned outputs, the number of outputs in the 2014-2015 HLAP was significantly reduced, without this meaning a reduction in actual work.

23 The HLAP adopted as resolution A.1061(28) consisted of 150 planned outputs. Three planned outputs were deleted or transferred to the post-biennial agenda for work to be carried out in future years, with a further 10 unplanned outputs being approved by the relevant IMO organs during the biennium.

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

Outputs status – all outputs	Outputs status 2015	% of total 2015
Completed	88	56.0
In Progress/ ongoing	26	16.6
Postponed	43	27.4
Total	157	100

24 Of the 157 biennial outputs, 56% were completed by the end of 2015. 17% of the outputs are still ongoing/in progress and are composed, not unexpectedly, of continuous work by the IMO organs concerned as well as unplanned outputs originally scheduled, by their respective parent organs, for completion in the next biennium or beyond.

25 Of the biennial outputs, 27% have been postponed, as work could not be completed as expected. This category includes outputs where work was expected to take place in 2015 – for example in cooperation with other organizations, however, for a variety of reasons, no work has been carried out during the biennium. Additionally, a number of these postponed outputs also include work where the sub-committee has finished its work but the parent organ has yet to approve the outcome owing to the scheduling of meetings. The majority of postponed outputs (30 out of 43) consist of outputs where the target completion year was extended by the parent organ during the biennium owing to the nature of the work to be undertaken and completion is now expected in the next biennium or beyond.

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

Table 2: Status of outputs as at 31 December 2015 by strategic direction

	Completed	In Progress/ ongoing	Postponed
SD1: Remain primary international maritime forum	5	2	1
SD2: Foster compliance and implementation	7	2	5
SD3: Strengthen capacity building	11	2	-
SD4: Governance, management and administration	6	1	-
SD5: Enhance safety	37	14	25
SD6: Enhance security	5	-	-
SD7: Reduce environmental impact	11	3	8
SD8: Enhance efficiency of shipping	2	-	3
SD9: Increased attention to SIDS and LDCs	1	-	-
SD10: Apply goal-based standards	-	1	1
SD12: Enhance quality of shipping	2	1	-
SD13: Enhance environmental consciousness	1	-	-
Total	88	26	43

27 The foregoing analysis of service delivery complies with the guidance provided by IPSAS and resolution A.1062(28)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.

Monitoring the Secretariat's Business Plan

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

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

30 The Business Plan includes service delivery by the Secretariat, mainly in connection with the support of the meeting schedule of the Organization (i.e. technical meeting support, translation, documentation and conference services), but also in other areas (i.e. technical cooperation, legal services, financial, human resources, information and communication

¹ Guidelines on the application of the Strategic Plan and High-level Action Plan of the Organization

technology (ICT) and procurement services, collaboration with the UN System, protocol, liaison and representation services, etc.).

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

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

	OSG	MSD/ MSA&IS	MED	LED	TCD	AD	CD	Total	% of total
Completed	21	8	48	50	25	46	13	211	89.8
Ongoing	4	4	0	2	2	7	0	19	8.1
Not embarked on	1	0	0	1	2	1	0	5	2.1
Total	26	12	48	53	29	54	13	235	100

32 Of the 235 deliverables/actions to achieve the divisional objectives, 90% were completed by the end of the biennium. This implies that the Secretariat delivered the majority of the planned activities according to the time frame determined in the Secretariat's Business Plan. Additionally, there were no disruptions in providing support activities for meetings. 8% of the deliverables/actions are still ongoing and 2% of deliverables/actions have not been embarked on.

33 Table 4 below shows the assessment of the 227² completed and ongoing deliverables/actions to achieve the divisional objectives that are active under the Secretariat's Business Plan for the 2014-2015 biennium.

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

	OSG	MSD/ MSA&IS	MED	LED	TCD	AD	CD	Total	% of total
excellent	12	5	13	44	19	37	13	143	63.0
good	13	6	35	8	6	15	0	83	36.6
poor	0	1	0	0	0	0	0	1	0.4
Total	25	12	48	52	25	52	13	227	100

34 The delivery of 63% of all deliverables/actions was assessed as excellent, with reference to the related success indicator and pre-defined assessment criteria. The delivery of 36.6% of the deliverables/actions was assessed as good and only 0.4% as poor.

² The assessment of three ongoing deliverables/actions will only be available when they are completed.

Financial resources

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

Governance and management

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

IPSAS-compliant Financial Statements

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

38 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.

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

40 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.

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

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

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

44 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.

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

FINANCIAL RISK MANAGEMENT

46 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

³ <http://www.UNJSPF.org>

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

47 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.

48 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.

49 Financial risk management is carried out by Financial Services in compliance with a defined investment policy, which has been developed on the basis of advice received from an independent treasury consultant. The Organization's treasury policy is approved by the Secretary-General and is reviewed and adjusted periodically, as necessary. Its implementation is the responsibility of a Treasury Committee which meets on a monthly basis to consider cash flow forecasts, treasury placements and the list of approved counterparties. Under the treasury policy, investment counterparties are assessed for their financial stability using three criteria – their credit ratings from the major ratings agencies, their tier 1 capital percentages, and the price of Credit Default Swaps, with the maximum amount and duration of deposits with any single counterparty being tiered on the basis of this assessment.

50 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.

51 As at 31 December 2015, 71% of cash, cash equivalents and short-term investments were denominated in the GBP base currency. Non-GBP holdings primarily relate to contributions made by donors in currencies other than GBP where any return of funds would be in the currency of the donation.

52 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

53 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 £20,206,174 (2014: £15,777,018), representing an increase of £4,429,156 (2014: £2,792,126) from the opening balance on 1 January 2015.

54 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 £20,206,174 (2014: £15,777,018) closing balance, £12,833,423 (2014: £12,715,659) relates to Multi-donor Trust Funds or the net position under bilateral agreements with individual donors. Such funds can only be applied in accordance with the Terms of Reference of the Fund concerned or the appropriate contractual agreement with the donor, respectively, and, as such, there are significant restrictions over their future use. The Working Capital Fund, the Headquarters Capital Fund, the Training and Development Fund and the Technical Cooperation Fund are all in a relatively strong financial position at present – noting that much of the surplus on the Trading Fund will, in due course, be transferred to the Technical Cooperation Fund in accordance with Assembly resolution A.1063(28). The positive position in the General Fund largely reflects the fact that the Organization's long-term After Service Health Insurance (ASHI) liability of £29,302,323 is shown under the Termination Benefit Fund in accordance with Assembly resolution A.991(25). While the Assembly set aside funds of £6,000,000 to meet these liabilities by means of resolution A.1100(29), effective 1 January 2016, the majority of these liabilities are presently unfunded and are reflected in the Termination Benefit Fund deficit as at 31 December 2015 of £29,555,373.

55 The increase in cash and cash equivalents during 2015 primarily reflects the operating surplus for 2015, including an increase in the GBP value of the Organization's holdings of US dollars of some £809,004, due to changes in foreign exchange rates between the two currencies during the year. The majority of the Organization's US dollar holdings are in respect of Multi-donor Trust Funds and other donor funds, which are budgeted, managed and reported in US dollars rather than GBP and, consequently, movements in the GBP value of such funds typically do not directly impact on the ability to deliver planned activities.

56 Contributions due from donors have increased significantly from the situation at 31 December 2014, primarily as a result of the major project agreement to establish a network of regional maritime technology cooperation centres, funded by the European Commission (EC) for a total of €10,000,000 over four years (the first year's contribution amounting to €2,404,547), and signed just prior to the end of the year. The contribution for 2016 under that project agreement was received in early January 2016. The collection rate for Member States assessments remains strong, at 99.2% (2014: 98.9%).

57 Inventories, reflecting our stock of publications held for re-sale, are at a level comparable with prior years, with a slight decrease from 2014 as a new edition of one of the Organization's major titles, the IMDG code, was published during November 2014 with a large initial print run, and there was no comparable launch late during 2015.

58 There has been a significant increase in the value of property, plant and equipment held by the Organization at 31 December 2015, to £1,241,098 (2014: £686,271). This is largely due to the extensive work to replace the simultaneous interpretation systems (SIMS) in the main conference hall in the Headquarters building. This work was completed in late 2015, while work on the SIMS in two further conference rooms is expected to be completed during 2016. The value of the Organization's intangible assets has also increased during 2015 to £509,292 (2014: £309,287), primarily as a result of ongoing work on enhancing IMO's SAP reporting systems, and the development of an Energy Efficiency Appraisal Tool.

59 We continue to seek to carefully balance our obligations to suppliers with the need to effectively manage the Organization's cash flow, and there has been little change in the overall balance of payables and accruals relating to exchange transactions. The most significant portion of the accruals balance relates to services provided by UNDP under the Service Clearing Account arrangement, but which have not yet been billed by UNDP through their monthly expenditure reporting. UNDP local offices worldwide provide IMO with a range and volume of services in the field which we would otherwise be unable to deliver in such an

efficient manner, and are thereby key facilitators of the delivery of the Organization's Integrated Technical Cooperation Programme (ITCP). While the overall balance for payables and accruals is comparable to that for 2014, there has been a reduction in the Contribution Incentive Scheme liability as the process of distributing the earnings for the period 2006-2013 has been largely completed during 2015.

60 The Organization's year-end employee benefit liabilities balance of £34,603,164 (2014: £34,819,455) mainly reflects obligations to current staff and retirees for ASHI, repatriation benefits and accrued annual leave, which have decreased slightly to £34,489,365 (2014: £34,613,137). These liabilities were subject to actuarial valuation as at 31 December 2015, an exercise the Organization conducts every two years. This actuarial valuation resulted in actuarial gains totalling £1,738,555 arising as a result of changes in actuarial assumptions made since the time of the previous valuation, most notably those related to the assumed rate of inflation in healthcare costs. This gain has been to some extent offset by the fact that interest costs, which reflect the increase in the liability arising from being one year closer to settlement, and service costs reflecting the increase in the liability as a result of services provided by current staff in the year, are in aggregate £1,614,783 higher than the amounts paid by the Organization during 2015 for the provision of ASHI services and other long-term benefit payments to current retirees. This imbalance between the amounts being paid on a "pay as you go" basis for current retirees and the actual costs to the Organization for current staff and retirees, is likely to result in an increasing obligation in the future, and will continue to require careful monitoring and appropriate action, a matter considered by the Assembly in setting aside the £6,000,000 mentioned earlier.

61 Turning now to the operating performance for the year, which is shown in Statement II (Statement of Financial Performance), it should be noted that this financial performance of revenue and expenditure is presented on an IPSAS accrual basis and thus is different in its measurement and accounting from the budgetary performance statement of receipts and payments reflected in Statement Va (IMO Only Statement of Comparison of Budget and Actual Amounts) which is prepared on a modified cash/accrual basis. The difference in amounts between the two statements is reconciled, in detail in Note 5 to the Financial Statements, to the cash flow statement (Statement IV). For instance, the assessed contribution (i.e., invoiced amounts of £30,116,000) for the year is 100% accounted for as revenue in Statement II, whereas only receipted amounts (£30,032,523) are shown as Actual in Statement Va. Likewise, while expenditure in Statement II includes the amount of £627,950 for depreciation and amortization on an accrual basis, that amount, as it is not a cash payment during the year, is not included in Statement Va. The financial performance of the year presented in Statement II was a surplus of £2,690,601, a 3.6% (£101,525) decline when compared with a surplus of £2,792,126 in 2014, due firstly to an increase in the costs of staff and other personnel and secondly to currency exchange differences. On the other hand, the budgetary performance under the modified cash basis shown in Statement Va points to a net receipt (surplus) of £2,410,238 over payments for the year, representing a drop of 31% (£1,082,878) from that of £3,493,116 in 2014, largely because of increases in payments especially in regular budget strategic results, capital investment and technical cooperation.

62 The Assembly, by resolution A.1063(28), approved for 2015 both the budget income of £43,205,000 and the appropriation of £45,491,000 under the IMO budgetary Funds, which are presented as the original budget amounts in Statement Va. The final budget amount for income remained the same as original income budget and actual receipts amounted to £44,579,358, representing 103% of the final income budget. Slightly more than two-thirds (67%, £30,032,523) of the total actual receipts were from assessment contributions for 2015 and any arrear years. The next largest (28%) income was from commercial trading, showing an increase of 5% (£575,381) to £12,298,212 from the outturn in 2014 of £11,722,831 and representing an excess of 7% (£793,212) to the income target set for 2015 of £11,505,000.

The good performance was ascribed to the planned marketing of various new editions (SOLAS, ISM Code, and Performance Standards) and the continuing demands for the IMDG Code and its supplement. The support costs income was £1,263,058, representing 88% of the budget, which was realized from two main sources: £579,997 from the Trading Fund (representing some 85% of the planned amount of £684,000) and £683,061 from various donor and trust Funds, other UN agencies and the Technical Cooperation Fund (representing approximately 91% of the estimated £750,000 for the year). In addition to the assessed contributions, support costs income and trading income, other miscellaneous income for 2015 amounted to £985,565, resulting in an excess of £835,565 compared with the estimate of £150,000 for the year, which is mostly attributable to the donation (£800,000) of the United Kingdom Government to partially finance the refurbishment costs of the SIMS in the IMO main hall and committee rooms 9 and 10. Active management of treasury deposits also resulted in higher interest earnings.

63 As the final accounts of WMU and IMLI were originally presented in Swedish Krona (SEK) and Euros, respectively, the consolidated income and expenditure statement (Statement Vb) expressed in pounds sterling was produced by using the annual average United Nations operational rates of exchange: £0.078 to a SEK and £0.728 to a Euro. The combined income (planned and received) of WMU and IMLI as at the end of December 2015 is separately presented under the heading of Education and Research as shown in Statement Vb (consolidated statement). Actual receipts under that heading amount to £8,792,779 which indicates that the two educational entities generated 90% of the target set in the final budget of £9,805,495 for 2015, due to decreases in student intake and revenue generating activities. Overall, actual income under the consolidated statement was £53,372,137 for the year, representing 101% of the final budget amount of £53,010,495 for the corresponding period.

64 In respect of expenditure amounts, the original budget for 2015 was £45,491,000 as shown in Statement Va, which includes the amounts approved by the Assembly in resolution A.1063(28) but not the current budgets for various donor/trust funds' programmes. The final expenditure budget for 2015 shown in Statement Va of £48,577,375 included, in addition to the budgets brought forward from 2014 of £1,196,375 to meet mainly the 2014 unliquidated obligations (ULOs) in accordance with the delivery principle under IPSAS 1, the supplementary budget approved by the Council at its 113th session under the Headquarters Capital Fund of £1,890,000 for the replacement of the SIMS. Actual expenditure amounts were measured against the final budget amounts and some budgetary savings were made in all IMO activities, a brief comment of which is provided in subsequent paragraphs.

65 Actual expenditure of regular budget Strategic Results in 2015 amounted to £29,888,213, representing an underspend of 8.6% (£2,797,632) of the corresponding final budget of £32,685,845, most of which was made up of staff costs resulting from a longer than expected period in filling a number of vacant posts. In 2015, due to staff retirement, separation or transfer/recruitment to other posts, a total of 403 work-months (equivalent to 34 posts) were vacant, comprising 142 professional work-months (equivalent to 22 posts) and 261 General Service work-months (equivalent to 21 posts). It should also be noted that the savings in staff costs are due partly to the result of the rationale of the Secretary-General's review and reform initiative which required the Secretariat to: critically assess the need for every vacant post; transfer or redeploy posts in line with changes and imbalances in workload within and across divisions; continue to call for secondees and Junior Professional Officers (JPOs) from Member States; strictly apply the policy on no contract extensions beyond normal retirement age; reclassify every post to its original grade or less when it is vacated by an incumbent with a personal promotion; and, where applicable, apportion to donor-financed projects the regular budget staff costs associated with their delivery.

66 Another contribution to the underspend in the regular budget can be found in the reduced use of other personnel (temporary assistance, overtime and consultancy), in particular, meetings temporary assistance (translators and interpreters) as a result of on-going effects of the Secretary-General's review and reform exercise, which included various changes in working practices for overtime and the employment of supernumerary staff (e.g. introduction of 1 a.m. deadline; reduction in the number of plenary sessions; more concise reporting; use of compensatory time off rather than monetary payment for overtime; and strictest enforcement of working hours for interpreters as agreed between the UN and A/CID). Some savings were also made in official mission travel through increasing use of forward mission planning and video/tele-conferencing. Savings in general operating expenses resulted from reduced costs in communications through the shift to "PaperSmart" production of documents, including for online administrative processes using Microsoft 'SharePoint' which was rolled out early in the year.

67 The variance between actual expenditure and the final budget of the Trading activities for 2015 was an underspend of £902,392 (15%), which is largely related to savings in operating expenses due to economies made both in the logistics operation and expendable supplies as well as in negotiations with external suppliers in the production of IMO publications. In particular, serious reductions in the print run for IMO News, which has now turned into a digital production account for the saving in production costs as well as lower mailing and storage costs. The underspend, together with the increase in trading income, resulted in a net surplus of £7,256,604 for 2015, which was 17% above the amount of the surplus achieved in 2014 of £6,203,456. It should be noted that actual payments in the budgetary accounting for trading activities shown in Statement Va include the printing cost of IMO publications and Model courses, amounting in total to £953,399 for 2015 as recorded under the inventory account (re: Note 2.3) but, in the financial accounting shown in Statement II (re: Note 4.4), the expense recognized for the year is not the printing cost of the year but the historic cost of only the IMO publications and Model courses which are sold, exchanged or distributed in the year in which the related revenue arises.

68 Actual disbursements in 2015 under the Headquarters Capital Fund were £1,848,127, representing 57% of the final budget for the year. The reason for the comparatively high actual outturn, when compared with the expenditure outturn in 2014 of £719,068, was mainly due to the overall replacement of the SIMS in the main conference hall which was completed in 2015. The outstanding replacement work for committee rooms 9 and 10 are rescheduled, together with its financial commitments, to continue to 2016 for completion.

69 The expenditure status of the Termination Benefit Fund, as at 31 December 2015, shows a budget execution rate of 92% (£917,934) against the final budget for the year. The actual outturn relates to: separation indemnity and repatriation costs associated with staff members separated or retired from the Organization in 2015; costs of replacement by temporary assistance of long-term sick leave staff members; and the medical insurance premiums borne by the Organization under the ASHI scheme in respect of retirees.

70 The outturn in 2015 of £124,753 under the Organization's training and development programme represented 88% of the final budget. The underspend (£16,247) in this programme was due to the fact that, while human resource development and IT/IS proficiency training programmes were conducted through arrangements with commercial training providers, other needs, in particular for SAP financial management and control processes, have mostly been met through the use of in-house expertise. An introduction of the SharePoint programme entailed higher demands in the training and the induction programme for translators was delivered towards the end of the year to avoid disruption in the Organization's meetings.

71 The final budget for technical cooperation (TC) activities financed from the Technical Cooperation Fund comprised the originally approved appropriation for 2015 of £4,841,000 and the budget brought forward from 2014 of £733,287 to finance some postponed activities. The TC expenditure for 2015 amounted to £4,348,485, accounting for 78% of the final budget and an increase of £752,330 (21%) compared with the outturn in 2014. Reasons for the variance include: unexpected situation changes in Member States, which inhibit the follow-up phase of activities taking place; lack of response from the maritime administrations to confirm events or regarding invitations to events. In addition, 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.

72 As stated earlier, the final accounts of WMU and IMLI are presented in SEK and Euros, respectively, and thus the consolidation of their budgets and actual outturns into Statement Vb, under the heading of Education and research, is made using the annual average United Nations operational rates of exchange in 2015. The expenditure outturn of the two educational institutions amounted £7,938,834 for 2015, representing a decrease of 19% on the previous year's outturn of £9,778,602. Accordingly, the expenditure portion of the two institutions has reduced by four percentage points to 16% of the consolidated outturn of £50,107,954 for the year, from 20% in 2014. Savings made in the expenditure budget represented 9% of the final budget of the two Institutions of £8,744,648, and is included under 'expenditure' in consolidated Statement Vb, which shows expenditure savings of £805,814 in total that was largely attributable to the economies made in operational costs, supplies and consumables.

SUSTAINABILITY

73 In considering the Organization's financial sustainability, I have evaluated the consequences of any significant delays or defaults in payments from Member States or any reductions in contributions from donors in the context of the global economic and financial crisis, and whether it would lead to a consequential reduction in the scale of operations and/or the delivery of the Strategic Plan, the High-level Action Plan and the Divisional Business Objectives. Having considered IMO's projected activities and the corresponding risks, I am confident that the Organization has adequate resources to continue to operate in the medium term. Based on this assumption, we will continue to apply the "going concern" basis in preparing IMO's financial statements.

74 My assertion above is supported by: i) the budget approved by the Assembly for the 2016-2017 biennium; ii) the scope and content of the Strategic Plan prepared for the period 2016-2021; iii) the net assets held at the end of the 2015 financial period, which result largely from the austerity and efficiency measures applied throughout the year; iv) the high level of collections of the assessed contribution of over 95% for the past 10 years; and v) the trend in donor support that has been sustaining IMO's mandate, including delivery of technical cooperation work, as determined by the Council and Assembly.

IMO INTO THE FUTURE

75 As I begin my mandate as Secretary-General of IMO, I wish to reiterate and underline that it is a great honour to have been elected as the chief executive of this prestigious and important Organization. IMO, its Member States and other stakeholders have made significant advances in forging a future where shipping meets the needs of the world in a safe, secure and sustainable way, building on the Organization's substantial efforts and achievements to date.

76 I have outlined five overarching objectives as we navigate what I have called ‘a voyage together’, as we seek to build on the successes of the past and prepare the Organization, and the Secretariat which supports its work, for the future in the interests of all our stakeholders:

1. effective implementation of IMO’s conventions and regulations;
2. building capacity in developing countries, particularly small island developing States and least developed countries;
3. promoting IMO’s status as the global regulator for the shipping industry;
4. contributing to shared growth for all Member States; and
5. enhancing the efficient performance of the Secretariat.

77 To enable the delivery of these objectives, a number of initiatives are underway which will shape the coming biennium, and the work of the Organization in the years beyond. The most notable of these are:

- **review of the strategic planning process** –at present, IMO is fully engaged in the comprehensive review of its Strategic Plan, a process that is scheduled to culminate during the 30th Assembly in 2017 and which will impact on the Organization’s regulatory work programme, internal business plans and results-based budgets. This review of the strategic planning architecture provides an opportunity to: secure improved coherence, prioritization and simplicity; address the challenges and objectives facing IMO; and ensure appropriate measurement of organizational performance against established goals. It is my view that the effective implementation of this initiative also requires a greater prominence and emphasis on the Secretariat’s own analytical capability, to ensure that planning, prioritization and, ultimately, regulation is built on a foundation of rigorously compiled and carefully analyzed data;
- **implementation and integration of the Member State Audit scheme** – 2016 is the first year of the mandatory audit scheme, which will cover all Member States over a seven-year period, and represents a shift in emphasis in the work of the Organization from the development of regulation towards more effective and uniform implementation of the regulatory provisions already in place. We will have to carefully monitor the results of the scheme and, moreover, consider how the audit scheme findings can be most effectively integrated with the Organization’s regulatory and capacity-building work, most notably through the Integrated Technical Cooperation Programme (ITCP). This, in turn, requires us to address new challenges in our work on implementation, particularly in considering the scope of our implementation activities, which, for example, have historically been limited in terms of the development of infrastructure, and in how sufficient resources might be mobilized, directed and delivered to meet changing and increasing demand from our Member States;
- **building the Secretariat for the future** – it is, I believe, the primary role of the Secretary-General to be outward-facing, and delivery of my objectives necessarily requires my focus to be on IMO’s work with its external stakeholders. Nevertheless, there continues to be a need for continuous renewal and reform in the Secretariat itself to ensure that we have the skills, capacity and experience necessary to meet the changing demands placed on us. With this in mind, increasing the flexibility of the Secretariat is key – IMO has a high fixed-cost base which reduces budgetary flexibility and, to some extent, limits its ability to respond to emerging challenges

requiring different technical skills. Equally, changing working practices in the private and the public sectors have introduced the possibility for more flexible working arrangements, something which the Organization has begun to take advantage of, but for which there may be greater scope. Moving towards a more flexible Secretariat requires a holistic view of the areas where 'core' permanent staff are essential, of the appropriate role and usage of temporary staff, consultants, experts and other more flexible resources, of the possibilities for outsourcing, and also of the use of technology to enable remote working. Some of these elements provide direct benefits to the Organization through cost reduction and more responsive and more flexible work from the Secretariat. Other elements are more generally a means of attracting and retaining the skills and human resources needed to run a knowledge-based organization, where staff expectations change over time in response to changing technology and what is on offer elsewhere. In due course, other benefits may also be generated, including a lower reliance on a central building and a lower risk to the Organization's activities, through reducing that reliance.

78 One of IMO's key roles is in supporting the facilitation of international maritime traffic. As we will be emphasizing through the 2016 World Maritime Day theme of "Shipping: indispensable to the world", shipping and ports affect us all because they are links in a global supply chain that requires the vital cargoes that ships carry around the world to be packaged and handled, loaded and offloaded and moved on to their next destination and, ultimately, the consumers. Facilitation measures are therefore essential to achieve efficiency within shipping and reap the benefits of its positive impact on the world economy. I consider that greater efforts need to be made by the Organization in this field, in particular by strengthening our work to expedite international maritime traffic, particularly through electronic means; prevent unnecessary delays to ships and persons and property on board; and highlight, in the development of related regulations, the ship/port interface as the fundamental service provider to ships.

79 Beyond this, and in broader terms, IMO is itself a facilitator in the shipping world, and we have a pivotal role to play through enhancing partnerships and communication between developing and developed countries, between governments and industry, between our Member States and regions, between the industry and the general public. I see IMO acting as a bridge between all these stakeholders in this 'voyage together'. Improved regulation and more effective implementation of that regulation are both needed to ensure shipping's fundamental role in sustaining today's global society, in providing the only viable delivery mechanism that can support global trade and the global economy. I believe that this can be delivered, through the continued collective efforts of Member States and the Secretariat, along with the active engagement and participation of other stakeholders in the true IMO spirit of transparency, openness and cooperation.

RESPONSIBILITY

80 As required under financial regulation 12.10, I am pleased to submit the annexed financial statements, along with my Statement on Internal Control for the financial period 2015, which does not form a part of the 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 2015.

Statement on Internal Control

- Statement I – Statement of Financial Position as at 31 December 2015
- Statement II – Statement of Financial Performance for the year ended 31 December 2015
- Statement III – Statement of Changes in Net Assets for the year ended
31 December 2015
- Statement IV – Statement of Cash Flow for the year ended 31 December 2015
- Statement V – Statement of Comparison of Budget and Actual Amounts for the year
ended 31 December 2015

Notes to the Financial Statements



Signed on original

Kitack Lim

Secretary-General

London, 29 April 2016

Statement on Internal Control for the financial period 2015

Scope of responsibility

1 As Secretary-General of the International Maritime Organization (IMO) I am accountable, in accordance with the responsibilities assigned to me in Article X of the Financial Regulations, for establishing financial rules and procedures to ensure effective financial administration and the exercise of economy, and for maintaining internal financial control.

Purpose of the system of internal control

2 The system of internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the Organization's policies, aims and objectives. Therefore it can only provide a reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. Internal control is a process effected by the Council, the Secretary-General, senior management and other members of the Secretariat, and designed to provide reasonable assurance on the achievement of the following internal control objectives:

- The regularity of the receipt, custody, and disposal of all funds and other financial resources of the Organization;
- The conformity of obligations and expenditures with the appropriations or other financial provision voted by the Assembly, or with the purposes and rules relating to trust and other special funds; and
- The economic use of the resources of the Organization.

3 Thus, on an operational level, IMO's internal control system is not solely a policy or procedure that is performed at certain points in time, but rather continually operated at all levels within the Organization through internal control processes to ensure the above objectives.

4 My current statement on IMO's internal control processes, as described above, applies for the year ended 31 December 2015, and up to the date of the approval of the Organization's 2015 financial statements.

Risk management and internal control

5 The Organization operates a Risk Management Framework, developed and approved by the Council, under which I am required to conduct an annual risk assessment exercise to identify and analyse risks to the delivery of those aspects of the Strategic Plan and High-level Action Plan which are the responsibility of the Secretariat, and to develop and implement mitigation plans where those risks are considered to be unacceptably high. While there is an annual exercise of risk assessment and evaluation, the application of the principles of risk management and the mitigation of risk to the extent practically possible is an ongoing process. The outcome of both the annual risk review exercise and the ongoing monitoring of risk inform my assessment of the effectiveness of the established system of internal control.

Review of effectiveness

6 My review of the effectiveness of the system of internal control is also informed by:

- My senior managers, each of whom has a role to play in the system of internal control and has been assigned specific delegations within the framework provided by the Financial Regulations and Financial Rules, Procurement Manual and Budget Manual. Each staff member assigned such delegated responsibility has provided me with an individual attestation on internal control for the year ended

31 December 2015 which acknowledges the scope of their responsibility, reports any significant weaknesses identified in internal controls along with steps being taken to address them, and confirms that internal controls are operating effectively within their area of responsibility;

- The work of the Internal Oversight and Ethics Office (IOEO), which has a dual function, both as internal oversight to provide me with reports on internal audits conducted during the year to provide independent and objective information on the adequacy and effectiveness of the Organization's system of internal controls, and as the ethics office to provide confidential advice and counsel to the Organization and its staff on ethics and standards of conduct, promote ethical awareness and responsible behavior and handle referrals of allegations of unethical behavior or conflicts of interest;
- The External Auditor, the Auditor General of Ghana, who provides me with a management letter identifying any issues of control identified during the course of their annual audit and provides the Council and Assembly with an opinion on the accuracy of the Organization's financial statements; and
- The Council and, specifically, its Council Working Group on Risk Management, which reviews the outcomes of the annual risk assessment exercise and identifies any action which it believes is necessary to address the findings thereof.

7 For the year 2015 there have been no significant issues in the operation of internal controls.

Conclusion

8 Effective internal control, no matter how well designed, has inherent limitations – including the possibility of circumvention – and therefore can only provide reasonable assurance. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time. In recognizing this, however, I conclude that, to the best of my knowledge and information, the IMO Secretariat had an effective system of internal control for the year ended 31 December 2015, and up to the date of the approval of the financial statements for that year.



Signed on original

Kitack Lim

Secretary-General

London, 29 April 2016

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT I
STATEMENT OF FINANCIAL POSITION
as at 31 December 2015
(GBP)

	Note	IMO		Consolidated	
		2015	2014	2015	2014
ASSETS					
Current assets					
Cash and cash equivalents	2.1	53,393,452	52,730,302	63,362,642	61,618,921
Contributions receivable	2.2	2,839,930	797,283	2,843,293	799,750
Inventories	2.3	833,693	879,562	862,081	904,054
Advances to sub-contractors	2.4	790,967	115,792	790,967	115,792
Other receivables	2.5				
Relating to exchange transactions		1,951,908	1,818,853	2,929,858	2,735,623
Relating to non-exchange transactions		-	-	63,527	54,505
Total current assets		59,809,950	56,341,792	70,852,368	66,228,645
Non-current assets					
Property, plant and equipment	2.6	1,241,098	686,271	1,638,109	806,054
Intangible assets	2.7	509,292	309,287	519,457	330,280
Total non-current assets		1,750,390	995,558	2,157,566	1,136,334
TOTAL ASSETS		61,560,340	57,337,350	73,009,934	67,364,979
LIABILITIES					
Current liabilities					
Payables and accruals	2.8				
Relating to exchange transactions		(2,684,203)	(2,909,672)	(2,935,904)	(3,192,599)
Relating to non-exchange transactions		(3,964,472)	(3,673,276)	(7,803,111)	(7,349,895)
Provisions and warranties	2.9				
Relating to exchange transactions		(68,225)	(69,100)	(68,225)	(69,100)
Employee benefits	2.10	(113,799)	(206,318)	(143,734)	(236,582)
Finance lease liabilities	2.11	(34,102)	(53,647)	(34,102)	(53,647)
Total current liabilities		(6,864,801)	(6,912,013)	(10,985,076)	(10,901,823)
Non-current liabilities					
Employee benefits	2.10	(34,489,365)	(34,613,137)	(34,983,129)	(35,029,120)
Finance lease liabilities	2.11	-	(35,182)	-	(35,182)
Total non-current liabilities		(34,489,365)	(34,648,319)	(34,983,129)	(35,064,302)
TOTAL LIABILITIES		(41,354,166)	(41,560,332)	(45,968,205)	(45,966,125)
NET ASSETS		20,206,174	15,777,018	27,041,729	21,398,854

	Note	IMO		Consolidated	
		2015	2014	2015	2014
Fund balances and reserves	2.12	17,515,573	12,984,892	23,029,667	17,717,362
Surplus for the year		2,690,601	2,792,126	4,012,062	3,681,492
TOTAL FUND BALANCES AND RESERVES	2.12	20,206,174	15,777,018	27,041,729	21,398,854

The accompanying notes form an integral part of these financial statements



Signed on original
JO Espinoza Ferrey
Director, Administrative Division
London, 24 March 2016

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 December 2015
(GBP)

REVENUE	Note	IMO		Consolidated	
		2015	2014	2015	2014
Assessed contributions	3.1	30,122,047	30,116,000	30,122,047	30,116,000
Donor voluntary contributions	3.2	5,705,346	4,753,099	9,142,107	8,358,044
Commercial activities	3.3	12,519,904	12,638,241	13,436,254	14,120,534
Fellowships	3.4	-	-	3,757,292	4,206,935
Other revenue	3.5	280,296	297,489	1,072,690	748,798
TOTAL REVENUE		48,627,593	47,804,829	57,530,390	57,550,311
EXPENDITURE					
Staff and other personnel costs	4.1	(31,752,494)	(30,848,168)	(37,079,801)	(36,242,243)
Travel expenses	4.2	(1,685,333)	(1,856,941)	(2,055,407)	(2,266,895)
Supplies, consumables and other running costs	4.3	(5,640,961)	(5,392,457)	(6,492,340)	(6,390,431)
Costs related to trading activities	4.4	(1,691,535)	(1,720,206)	(1,710,862)	(1,791,637)
Outsourced services	4.5	(943,331)	(1,068,958)	(1,168,027)	(1,287,980)
Training and development	4.6	(3,165,668)	(2,995,501)	(4,273,322)	(4,714,273)
Depreciation, amortization and impairment	4.8	(627,950)	(1,033,126)	(795,280)	(1,176,904)
Return of unspent funds	4.9	(17,665)	(48,644)	(17,665)	(48,644)
Other expenses	4.10	(1,108,791)	(931,932)	(972,968)	(821,533)
TOTAL EXPENDITURE		(46,633,728)	(45,895,933)	(54,565,672)	(54,740,540)
Currency exchange gains	4.7	696,736	883,230	1,047,344	871,721
NET SURPLUS FOR THE YEAR		2,690,601	2,792,126	4,012,062	3,681,492

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 2015
(GBP)

	Note	Accumulated Surpluses/ Fund Balances		Accumulated Surpluses/ Fund Balances	
		IMO		Consolidated	
		2015	2014	2015	2014
Opening balance 1 January		15,777,018	12,984,892	21,398,854	18,546,609
Surplus for the year		2,690,601	2,792,126	4,012,062	3,681,492
Other movements on reserves					
Transfers		-	-	59,156	(935,703)
Actuarial gains for the year	2.10	1,738,555	-	1,738,555	-
Exchange rate effect	10	-	-	(166,898)	106,456
Total movement for the year		4,429,156	2,792,126	5,642,875	2,852,245
TOTAL NET ASSETS		20,206,174	15,777,018	27,041,729	21,398,854

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 2015

	Not e	IMO		Consolidated	
		2015	2014	2015	2014
Cash flow from operating activities:					
Surplus/(deficit) for the period ⁴		1,659,519	2,058,803	2,331,248	2,991,914
Interest earned	3.5	222,078	239,073	258,180	248,403
(Increase)/Decrease in contributions receivable	2.2	(2,042,647)	383,467	(2,043,543)	388,506
Decrease/(Increase) in inventories	2.3	45,869	(123,045)	41,973	(120,827)
(Increase)/Decrease in advances to sub-contractors	2.4	(675,175)	34,824	(675,175)	34,824
(Increase) in other receivables	2.5	(133,055)	(188,982)	(203,257)	(484,892)
(Gain) on disposal of investments		-	-	(2,491)	
Depreciation of property, plant and equipment ⁵	2.6	428,694	449,970	557,656	597,063
Impairment of property, plant and equipment ⁵	2.6	949	-	949	-
(Gain) on disposal of Property, Plant and Equipment	2.6	(10,910)	(1,219)	(551)	(1,219)
Donation of assets	2.6	-	467,449	-	467,449
Amortization of intangible assets ⁵	2.7	140,251	98,939	151,890	114,023
Loss on disposal of Intangible assets ⁵	2.7	933	-	933	-
Increase in payables and accruals	2.8	65,727	886,229	196,521	1,173,300
(Decrease) in provisions and warranties	2.8	(875)	(665)	(875)	(665)
(Decrease)/Increase in employee benefit liabilities	2.10	(216,291)	1,391,358	(138,839)	1,420,960
Net cash flows from operating activities		(514,933)	5,696,201	474,619	6,828,839
Cash flows from investing activities:					
Purchases of property, plant and equipment ⁵	2.6	(984,792)	(569,303)	(1,382,123)	(648,136)
Purchases of intangible assets ⁵	2.7	(341,189)	(178,334)	(342,000)	(190,215)
Donations received for property, plant and equipment		-	(2,835)	(19,286)	(2,835)
Proceeds from sale of property, plant and equipment		11,232	1,844	11,300	3,375
Proceeds from sale of investments		-	-	2,491	-
Net cash flows from investing activities		(1,314,749)	(748,628)	(1,729,618)	(837,811)
Cash flows from financing activities:					
(Decrease) in finance lease liabilities	2.11	(54,727)	(49,834)	(54,727)	(49,834)
Net cash flows from financing activities		(54,727)	(49,834)	(54,727)	(49,834)
Other movements in net assets		1,738,555	-	1,797,711	(935,703)
(Loss)/Gain on exchange on consolidation		-	-	(166,898)	106,456
Effect of exchange rate changes on cash and cash equivalents		809,004	494,250	1,422,634	441,175
Net increase in cash and cash equivalents	2.1	663,150	5,391,989	1,743,721	5,553,122
Cash and cash equivalents at beginning of the year		52,730,302	47,338,313	61,618,921	56,065,799
Cash and cash equivalents at end of the year	2.1	53,393,452	52,730,302	63,362,642	61,618,921

The accompanying notes form an integral part of these financial statements

⁴ Excluding interest earned of £222,078 (2014: £239,073) for IMO and £258,180 (2014: £248,403) for the consolidated group and gains on exchange of cash and cash equivalents held of £809,004 (2014: gains of £494,250) for IMO and £1,422,634 (2014: gains of £441,175) for the consolidated group.

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

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT Va
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – IMO
for the year ended 31 December 2015
(GBP)

	Budget Amounts ²			Actual Amounts on Comparable Basis ²			Variances: Final Budget and Actual Amounts		
	Original 2015	Original 2014	Final 2015	Original 2015	Original 2014	Final 2015	Original 2015	Original 2014	Final 2015
Receipts¹									
Assessed contributions	30,116,000	30,116,000	30,116,000	30,116,000	30,116,000	30,032,523	29,852,543	(83,477)	(263,457)
Support costs income	1,434,000	1,420,000	1,434,000	1,420,000	1,420,000	1,263,058	1,302,367	(170,942)	(117,633)
Trading income	11,505,000	11,837,600	11,505,000	11,837,600	11,837,600	12,298,212	11,722,831	793,212	(114,769)
Other income	150,000	150,000	150,000	150,000	150,000	985,565	201,804	835,565	51,804
Total receipts	43,205,000	43,523,600	43,205,000	43,523,600	43,523,600	44,579,358	43,079,545	1,374,358	(444,055)
Payments¹									
Regular budget strategic results	32,618,000	31,686,000	32,685,845	31,714,110	29,888,213	29,888,213	28,791,046	2,797,632	2,923,064
Trading	5,944,000	5,824,000	5,944,000	5,824,238	5,041,608	5,041,608	5,519,375	902,392	304,863
Headquarters capital	950,000	930,000	3,235,243	1,185,359	1,848,127	1,848,127	719,068	1,387,116	466,291
Termination/separation	997,000	844,000	997,000	859,500	917,934	917,934	850,164	79,066	9,336
Training and development	141,000	136,000	141,000	136,000	124,753	124,753	110,621	16,247	25,379
Technical cooperation (TC Fund)	4,841,000	5,159,000	5,574,287	5,360,904	4,348,485	4,348,485	3,596,155	1,225,802	1,764,749
Total payments	45,491,000	44,579,000	48,577,375	45,080,111	42,169,120	42,169,120	39,586,429	6,408,255	5,493,682
Net	(2,286,000)	(1,055,400)	(5,372,375)	(1,556,511)	2,410,238	2,410,238	3,493,116	7,782,613	5,049,627

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 2015

NOTE 1: ACCOUNTING POLICIES

Basis of Preparation

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

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

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

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

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

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

Cash and Cash Equivalents

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

Contributions and Receivables

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

8 Contributions are recognized as an asset when confirmed in writing by donors, with revenue normally being recognized at the same point. However, in some cases a donor agreement may contain sufficiently strict conditions over the application of funds to a specific activity that a liability is recognized along with the asset when the agreement is confirmed in writing and revenue is only recognized as the activity is delivered. The accounting treatment of donor contributions is determined on a case-by-case basis following the provisions of IPSAS 23 – "Revenue from Non-Exchange Transactions".

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

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

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

Revenue

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

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

Inventories

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Intangible Assets

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

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

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

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

Leases

Finance Leases

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

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

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

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

Operating Leases

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

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

Employee Benefits Liabilities

33 IMO recognizes the following categories of employee benefits:

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

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

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

with sufficient reliability for accounting purposes. Hence, IMO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. IMO's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

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

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

Provisions and Contingent Liabilities

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

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

40 Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of IMO.

Fund Accounting and Segment Reporting

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

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

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

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

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

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

Budget Comparison

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

NOTE 2: ASSETS AND LIABILITIES

Note 2.1: Cash and Cash Equivalents

	IMO		Consolidated	
	2015	2014	2015	2014
	GBP		GBP	
Cash and Cash Equivalents				
Bank and cash on hand	11,196,444	10,140,939	18,955,430	16,995,506
Short-term deposits	42,193,721	42,587,020	44,401,215	44,607,685
Other cash and cash equivalents	3,287	2,343	5,997	15,730
Total Cash and Cash Equivalents	53,393,452	52,730,302	63,362,642	61,618,921

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

49 The Organization does not place long-term investments in bonds or shares, nor does it make use of money market facilities such as hedging. Short-term deposits are investments held to maturity invested for a maximum of twelve months with an approved list of counterparties. Those deposits held at year end are measured at amortised cost that is discounted, using the effective interest method. The Organization's Investment Policy, established in accordance with Article IX of the Financial Regulations, focuses on capital retention rather than maximization of return on investment.

50 The Investment Policy establishes limits on the maximum amounts and time period for deposits with any counterparty, on the basis of a range of factors designed to assess their financial stability, in order to diversify and manage investment risk.

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

52 The table below shows the value of IMO's short-term deposit placements at 31 December 2015 split by maturity date:

	IMO	
	GBP	USD
Maturity		
January	16,929,935	5,256,993
February	9,180,127	5,099,289
March	7,392,627	2,519,307
Total short term deposits	33,502,689	12,875,589

53 There was no impairment of short-term deposits as at 31 December 2015.

54 The consolidated figure for other cash and cash equivalents includes an investment in Malta Government stocks totalling £1,215, being stocks with a nominal value of €1,500 at 4.5% maturing in 2017 and paying interest in May and November. The annual implied interest rate for this investment is 3.88%, and the investment is held as being available for sale.

Note 2.2: Contributions Receivable

	IMO		Consolidated	
	2015	2014	2015	2014
	GBP		GBP	
Composition:				
Member States assessments	340,266	328,803	340,266	328,803
Donor voluntary contributions	2,499,664	468,480	2,503,027	470,947
Total Contributions Receivable	2,839,930	797,283	2,843,293	799,750

55 Contributions receivable for Member States' assessments and donor voluntary contributions relate to non-exchange transactions.

	IMO		Consolidated	
	2015	2014	2015	2014
	GBP		GBP	
Member States assessments due	1,207,199	1,117,251	1,207,199	1,117,251
Total Contributions Receivable before allowance	1,207,199	1,117,251	1,207,199	1,117,251
Fair value adjustments	(511,869)	(433,384)	(511,869)	(433,384)
Allowance for doubtful accounts	(355,064)	(355,064)	(355,064)	(355,064)
Net Contributions Receivable	340,266	328,803	340,266	328,803

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

	IMO				Consolidated			
	2015		2014		2015		2014	
	GBP	%	GBP	%	GBP	%	GBP	%
Year of assessment:								
2015	253,354	21	-	-	253,354	21	-	-
2014	216,161	18	337,936	30	216,161	18	337,936	30
2013	66,572	6	85,036	8	66,572	6	85,036	8
2012 and earlier	671,112	55	694,279	62	671,112	55	694,279	62
Nominal value of assessments receivable	1,207,199	100	1,117,251	100	1,207,199	100	1,117,251	100

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

58 The movements of the allowance for fair value adjustment and doubtful accounts during 2015 are as follows:

	Opening Balance 1.1.2015	Increase/ (Decrease)	Closing Balance 31.12.2015
	GBP		
Fair value adjustment for Member States' arrears - IMO	433,384	78,485	511,869
Fair value adjustment for Member States' arrears - Consolidated	433,384	78,485	511,869
Total allowance for doubtful accounts - IMO	355,064	-	355,064
Total allowance for doubtful accounts - Consolidated	355,064	-	355,064

59 As at 31 December 2015 there were a total of 29 Member States with outstanding balances. Of these, 22 had current year and prior year balances only. The remaining seven had arrears prior to 2014. Two Member States had an agreed payment plan in place for outstanding arrears as at 31 December 2015. For the Member States in arrears and without such an agreement, an approximation is made based on historical experience – for those Member States which had arrears extending only to the current year and prior year, no fair value adjustment is made. For the remaining Member States with arrears for 2013 and earlier, it was assumed that the eventual cash flows will be sufficiently far in the future that the present value of those cash flows after discounting is approximately zero.

60 In addition to the balances due from those 29 Member States, the settlement of the former Socialist Federal Republic of Yugoslavia (SFRY) arrears of £355,064 continues to depend on the results of ongoing negotiations at the United Nations regarding succession issues. The Governments of the successor States of the former SFRY have requested the United Nations to write off all debts of the former SFRY relating to their contributions to the United Nations and its specialized agencies and programmes. The United Nations had taken the view that, in accordance with the general rules of international law regarding the succession of States in respect of State debts, the United Nations has the right to seek payment of all or part of the pre-dissolution arrears from the five successor States of the former Yugoslavia. Despite requests for the debt to be written off, the United Nations has refused to do so. The precise amount owing by each of SFRY's five successor States has not as yet been determined by the United Nations. Until this issue is settled by the United Nations, the Secretariat is not in a position to pursue the recovery of the outstanding amount, and the Secretariat's policy in this regard is consistent with prior years and the approach taken by the United Nations.

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

62 Contributions receivable from donors are shown net of contributions adjustments related to allowance for doubtful accounts based on an individual review of each receivable. Amounts due beyond 2016 are discounted based on likely timings of such future cash flows. A review of amounts due as at 31 December 2015 indicated that no such adjustments were required on outstanding balances.

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

Note 2.3: Inventories

	IMO		Consolidated	
	2015	2014	2015	2014
	GBP		GBP	
IMO publications	792,613	853,222	792,613	853,222
Model courses	41,080	26,340	41,080	26,340
Public relations articles	-	-	28,388	24,492
Total Inventories	833,693	879,562	862,081	904,054

Inventories reconciliation	2015	2014
	GBP	GBP
Opening inventories	879,562	756,517
Purchases	953,399	1,145,258
Total inventories available for sale	1,832,961	1,901,775
Cost of sales	(903,214)	(964,897)
Cost of free distributions	(25,703)	(42,658)
Adjustments following physical inventory count	(2,318)	3,329
Write-off of publications	(37,206)	(7,285)
Impairment loss of publications	(30,827)	(10,702)
Total inventories	833,693	879,562

	Opening Balance 01.01.15	Utilization	Increase	Closing Balance 31.12.15
	GBP			
Allowance for impairment - obsolete books	10,720	(10,715)	30,827	30,832
Total allowance	10,720	(10,715)	30,827	30,832

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

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

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

67 Inventories include consignment stock held at distributor premises for which the Organization continues to bear the risk and reward until the point of sale by the distributor. The value of the consignment stock as at 31 December 2015 held at distributor premises amounts to £72,501 (2014: £95,967) of which £72,174 (2014: £95,573) is for IMO Publications and £327 (2014: £394) for Model Courses.

68 As at 31 December 2015, WMU held inventory of public relations articles valued at £28,388 (2014: £24,492).

Note 2.4: Advances to Sub-Contractors

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

Sub-Contractors	IMO	
	2015	2014
	GBP	
UNDP SCA	430,230	-
SPC	122,306	6,960
COCATRAM	86,807	37,656
SPREP	34,499	-
REMPEITC-CARIB	31,387	23,729
DPC SECROGRAM BRAZIL	28,235	-
Other	57,503	47,447
	790,967	115,792

Note 2.5: Other Receivables

	IMO		Consolidated	
	2015	2014	2015	2014
Relating to exchange transactions				
Advances to staff	858,064	814,877	881,904	817,789
Taxes recoverable	786,046	809,461	988,969	858,427
Advances to vendors	80,327	56,435	332,582	315,066
Fellowships	-	-	126,866	294,630
Miscellaneous	227,471	138,080	599,537	449,711
	1,951,908	1,818,853	2,929,858	2,735,623
Relating to non-exchange transactions				
Fellowships	-	-	38,840	30,025
Taxes recoverable	-	-	5,015	10,043
Other	-	-	19,672	14,437
	-	-	63,527	54,505
Total Other Receivables	1,951,908	1,818,853	2,993,385	2,790,128

70 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	
	2015	2014	2015	2014
	GBP		GBP	
Advances to staff				
Education Grant advance	626,417	613,064	646,754	613,064
Home leave prepayment	101,708	84,273	103,126	84,273
Season ticket loan	63,100	42,480	63,100	42,480
Others	66,839	75,060	68,924	77,972
Total	858,064	814,877	881,904	817,789

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

72 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.

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

74 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.

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

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

77 The miscellaneous category includes, inter alia, amounts due under sub-letting agreements (where IMO manages the office space and recovers from third parties), travel recoverable from sponsors, 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

Cost	Assets Under Construction	Communication & IT equipment	Conference equipment	Vehicles	Furniture & fixtures	Leased equipment	Miscellaneous	Total
	GBP							
Opening Balance 01.01.2015	22,752	2,488,317	710,589	149,037	570,892	226,924	62,304	4,230,815
Additions	656,003	310,334	-	-	18,120	-	335	984,792
Transfers	(631,177)	-	631,177	-	-	-	-	-
Disposals	-	(357,570)	-	(18,381)	-	-	(1,185)	(377,136)
Impairment	-	-	-	-	-	(949)	-	(949)
Closing Balance 31.12.2015	47,578	2,441,081	1,341,766	130,656	589,012	225,975	61,454	4,837,522
Accumulated Depreciation								
Opening Balance 01.01.2015	-	(2,058,183)	(672,535)	(109,658)	(529,319)	(142,436)	(32,413)	(3,544,544)
Disposals	-	357,570	-	18,381	-	-	863	376,814
Depreciation charge for the year	-	(324,945)	(10,244)	(16,328)	(17,609)	(52,308)	(7,260)	(428,694)
Closing Balance 31.12.2015		(2,025,558)	(682,779)	(107,605)	(546,928)	(194,744)	(38,810)	(3,596,424)
Net Book Value								
Opening Balance 01.01.2015	22,752	430,134	38,054	39,379	41,573	84,488	29,891	686,271
Closing Balance 31.12.2015	47,578	415,523	658,987	23,051	42,084	31,231	22,644	1,241,098

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

79 Assets are reviewed annually to determine if there is any impairment in their value. During 2015, 372 items of property, plant and equipment were disposed of, primarily due to obsolescence. 371 of the disposed items were fully depreciated at the time of disposal, with proceeds totalling £11,232. The remaining item, which was replaced by the supplier under warranty, had a net book value on disposal of £322. At the end of the year, one item held under the Lease Equipment category was deemed to be impaired. At the time of impairment, this had a net book value of £949, which was subsequently reduced to zero.

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

81 During 2015 the Organization carried out works in order to replace the simultaneous interpretation system (SIMS) in the Main Hall and in Committee Room 9. As at the reporting date the replacement of the SIMS in the Main Hall had been finalised and the corresponding costs were transferred from assets under construction to Conference Equipment, for a total of £631,177. The works in Committee Room 9 were still ongoing as at 31 December 2015, therefore the associated capitalised costs of £24,826 are reported as Assets Under Construction. This project will be completed in 2016.

82 £22,752 of the assets under construction, relate to the assets in the field, namely the Search and Rescue (SAR) equipment in the Republic of the Congo developed as part of an ongoing programme to support the region in this respect. Provision of these assets is in line with the Organization's objectives. Control is transferred to the relevant third party on completion of the project, therefore SAR assets currently in construction remain under the Organization's control at year-end.

Asset category – consolidated

	Assets Under Construction	Communication & IT equipment	Conference equipment	Vehicles	Furniture & fixtures	Leased equipment	Miscellaneous	Total
	GBP							
Cost								
Opening Balance 01.01.2015	22,752	2,981,335	710,589	242,933	680,731	226,924	155,437	5,020,701
Additions	656,003	547,846	-	19,288	137,226	-	49,918	1,410,281
Disposals	-	(390,221)	-	(18,381)	(63,906)	-	(18,809)	(491,317)
Transfer of Assets on completion	(631,177)	-	631,177	-	-	-	-	-
Impairment	-	-	-	-	-	(949)	-	(949)
Movements as a result of exchange differences	-	(1,189)	-	(3,281)	(1,039)	-	(3,363)	(8,872)
Closing Balance 31.12.2015	47,578	3,137,771	1,341,766	240,559	753,012	225,975	183,183	5,929,844
Accumulated Depreciation								
Opening Balance 01.01.2015	-	(2,468,457)	(672,535)	(198,629)	(632,076)	(142,437)	(100,513)	(4,214,647)
Disposals	-	387,251	-	18,381	61,309	-	13,627	480,568
Depreciation charge for the year	-	(427,949)	(10,244)	(23,426)	(35,131)	(52,307)	(24,904)	(573,961)
Movements as a result of exchange differences	-	4,604	-	3,548	4,641	-	3,512	16,305
Closing Balance 31.12.2015	-	(2,504,551)	(682,779)	(200,126)	(601,257)	(194,744)	(108,278)	(4,291,735)
Net Book Value								
Opening Balance 01.1.2015	22,752	512,878	38,054	44,304	48,655	84,487	54,924	806,054
Closing Balance 31.12.2015	47,578	633,220	658,987	40,433	151,755	31,231	74,905	1,638,109

83 The total value reported under "Miscellaneous" as at 31 December 2015 includes the reference library of £10,600 (2014:£ 12,055) held by IMLI, with additional reference texts being capitalized and depreciated over a period of three years.

84 This note includes the effect of the revaluation of the property, plant and equipment held by WMU and IMLI with a net impact of £7,433 (2014:£3,799) resulting from the change in value of the Swedish Krona and Euro respectively from 1 January to 31 December 2015. Opening balances are presented at the exchange rate applicable on 1 January 2015 and closing balances at the rate applicable on 31 December 2015, 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.

85 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 £6,552 (2014: £7,236).

Note 2.7: Intangible Assets

	Asset category - IMO		
	Assets Under Construction	Externally purchased software	Total
Cost	GBP		
Opening Balance 01.01.2015	151,438	2,039,109	2,190,547
Additions	237,488	103,701	341,189
Transfers	(181,102)	181,102	-
Disposals	(933)	-	(933)
Closing Balance 31.12.2015	206,891	2,323,912	2,530,803
Accumulated Amortization			
Opening Balance 01.01.2015	-	(1,881,260)	(1,881,260)
Amortization charge for the year	-	(140,251)	(140,251)
	-	-	-
Closing Balance 31.12.2015	-	(2,021,511)	(2,021,511)
Net Book Value			
Opening Balance 01.01.2015	151,438	157,849	309,287
Closing Balance 31.12.2015	206,891	302,401	509,292

86 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.

87 The costs recognized as assets under construction mainly relate to development work on the implementation of additional SAP functionalities (£135,825), and an Energy Efficiency Appraisal Tool (£55,070). To the extent that the development work for these projects is undertaken by external resource, the identification and assignment of such costs can be readily identified from payment schedules and project milestones, with the completed asset under construction being transferred to Externally Purchased Software at the point of go-live.

	Asset category - Consolidated		
	Assets Under Construction	Externally purchased software	Total Group
Cost	GBP		
Opening Balance 01.01.2015	151,438	2,101,612	2,253,050
Additions	237,488	105,229	342,717
Transfers	(181,102)	181,102	-
Disposals	(933)	-	(933)
Movements as a result of exchange rate difference	-	(717)	(717)
Closing Balance 31.12.2015	206,891	2,387,226	2,594,117
Accumulated Amortization			
Opening Balance 01.01.2015	-	(1,922,770)	(1,922,770)
Amortization charge for the year	-	(151,955)	(151,955)
Movements as a result of exchange rate difference	-	65	65
Closing Balance 31.12.2015	-	(2,074,660)	(2,074,660)
Net Book Value			
Opening Balance 01.01.2015	151,438	178,842	330,280
Closing Balance 31.12.2015	206,891	312,566	519,457

88 This note includes the effect of the revaluation of the Intangible Assets held by WMU with a net impact of £652 (2014: £1,337) resulting from the change in value of the Swedish Krona from 1 January to 31 December 2015. Opening balances are presented at the exchange rate applicable on 1 January 2015 and closing balances at the rate applicable on 31 December 2015, while depreciation charges and additions for the year are shown at the average rate of exchange, consistent with Statement I and Statement II, respectively.

89 Neither IMO nor the consolidated group has made any disposals of externally purchased software during 2015. IMO made one disposal of an asset under construction which was not completed, and at the time of disposal had an accumulated cost of £933.

Note 2.8: Payables and Accruals

	IMO		Consolidated	
	2015	2014	2015	2014
	GBP		GBP	
Relating to exchange transactions				
Accruals	1,444,320	1,639,759	1,500,432	1,708,805
Payable to vendors	916,427	697,202	961,206	686,552
Advances from customers	270,498	528,953	270,468	528,952
Payable to staff	26,558	43,758	26,558	43,759
Fellowships	-	-	150,313	223,971
Deferred revenue	26,400	-	26,400	-
Other	-	-	527	560
	<u>2,684,203</u>	<u>2,909,672</u>	<u>2,935,904</u>	<u>3,192,599</u>
Relating to non-exchange transactions				
Fellowships	-	-	3,021,560	2,635,972
Condition on donor contributions	2,358,838	306,922	2,358,838	306,922
Advance contributions	1,197,771	1,873,035	1,661,635	2,462,492
Contributions Incentive Scheme	181,165	1,415,584	181,165	1,415,584
Deferred revenue	145,220	-	145,220	-
Payable to donors	81,478	77,735	237,007	189,361
Other	-	-	197,686	339,564
	<u>3,964,472</u>	<u>3,673,276</u>	<u>7,803,111</u>	<u>7,349,895</u>
Total Payables and Accruals	<u>6,648,675</u>	<u>6,582,948</u>	<u>10,739,015</u>	<u>10,542,494</u>

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

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

92 Advances from customers reflect payments received prior to delivery of goods and services.

93 Fellowships and donations received and accrued for the academic year 2015/2016 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 2016 are disclosed as advance receipts.

94 Deferred revenue relates to amounts received in the year for which the services have not been provided as at the reporting date.

95 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	
	2015	2014	2015	2014
	GBP		GBP	
Condition on donor contributions				
European Commission - Capacity Building for Climate Mitigation in the Maritime Shipping Industry	1,775,785	-	1,775,785	-
European Commission – Support FSI on PSC in Africa	542,653	241,214	542,653	241,214
European Commission - Mediterranean Decision Support System for Marine Safety (MEDESS-4MS)	40,400	-	40,400	-
NORAD	-	65,708	-	65,708
Total	2,358,838	306,922	2,358,838	306,922

96 Advance contributions reflect balances received from Member States during 2015 towards the 2016 assessed contributions.

97 Under the Contributions Incentive Scheme (CIS), a part of the interest earned on the General Fund is returned to Member States, the allocation being based on a points system reflecting the timing and amount of the receipt of their current year assessments. The accumulated CIS earnings up to 2013 totalled £1,508,545, of which £151,717 and £1,289,597 were distributed in 2014 and 2015 respectively in accordance with the instructions of individual Member States. A residual balance amounting to £67,231 remains awaiting instruction from one Member State. The distribution will be completed during 2016.

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

Note 2.9: Provisions and Warranties

	IMO		Consolidated	
	2015	2014	2015	2014
	GBP		GBP	
Publication sales warranties	68,225	69,100	68,225	69,100
Total provisions and warranties	68,225	69,100	68,225	69,100

	Opening Balance 01.01.15	Utilization	Increase	Closing Balance 31.12.15
	GBP			
IMO				
Publications	67,800	(60,077)	58,354	66,077
Model Courses	1,300	(3,980)	4,828	2,148
Total allowance	69,100	(64,057)	63,182	68,225

99 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	2015			2014
	Actuarial Valuation	IMO Estimates	Total	Total
	GBP			GBP
Short-term employee benefits	-	113,799	113,799	123,286
Post-employment benefits	32,336,296	-	32,336,296	33,248,775
Other long-term employee benefits	2,153,069	-	2,153,069	1,364,362
Termination benefits	-	-	-	83,032
Total Employee Benefits Liabilities	34,489,365	113,799	34,603,164	34,819,455

Composition:	2015					2014
	Short Term Employee Benefits	Post-Employment Benefits	Other Long-Term Employee Benefits	Termination Benefits	Total	Total
	GBP					GBP
Current	113,799	-	-	-	113,799	206,318
Non-current	-	32,336,296	2,153,069	-	34,489,365	34,613,137
Total Employee Benefits Liabilities	113,799	32,336,296	2,153,069	-	34,603,164	34,819,455

Consolidated	2015			2014
	Actuarial Valuation	Group Estimates	Total	Total
	GBP			GBP
Short-term employee benefits	-	143,734	143,734	153,550
Post-employment benefits	32,336,296	249,446	32,585,742	33,501,781
Other long-term employee benefits	2,153,069	244,318	2,397,387	1,527,339
Termination benefits	-	-	-	83,032
Total Employee Benefits Liabilities	34,489,365	637,498	35,126,863	35,265,702

	2015 Consolidated					2014
	Short Term Employee Benefits	Post- Employment Benefits	Other Long- Term Employee Benefits	Termination Benefits	Total	Total
	GBP					GBP
Composition:						
Current	143,734	-	-	-	143,734	236,582
Non-current	-	32,585,742	2,397,387	-	34,983,129	35,029,120
Total Employee Benefits Liabilities	143,734	32,585,742	2,397,387	-	35,126,863	35,265,702

100 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 60 days) and the current salary rate of the staff member. The employee benefits for home leave represents the amounts accrued for the year with the cost spread over two years.

2.10.1: Valuation of Employee Benefits Liabilities

101 Employee benefits liabilities are determined by professional actuaries or calculated by IMO based on personnel data and past payment experience. At 31 December 2015, total employee benefits liabilities amounted to £34,603,164 (2014: £34,819,455), of which £34,489,365 (2014: £34,613,137) was calculated by the actuaries and £113,799 (2014: £206,317) was calculated by IMO. Actuarial valuations are undertaken every two years, the most recent being completed as at 31 December 2015.

2.10.2: Short-Term Employee Benefits

102 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.

103 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

104 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.

105 Arrangements relating to the UNJSPF are set out in Note 2.10.7.

106 ASHI is a plan that allows eligible retirees and their eligible family members to participate in the Cigna Medical Scheme (formerly Van Breda) for 50% of the cost of the

contribution of active staff members for the defined type of coverage. The Organization subsidizes the remaining amount of the premium to be paid to the third party insurer. Membership of Cigna is compulsory for all new employees, although participation in the ASHI scheme after retirement is voluntary. Cigna is the main third party insurance provider for ASHI benefits; however, there are still a small number of retirees covered by the former insurer, BUPA.

107 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.

108 The liabilities include the current service costs and the interest costs for 2015, less benefit payments made and, where applicable, plan participants' contributions.

2.10.4: Other Long-Term Employee Benefits

109 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.

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

2.10.5: Termination Employee Benefits

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

112 As at 31 December 2015, there are no formal plans, without reasonable possibility of withdrawal, to finish the employment of staff members who have not yet separated from the Organization.

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

113 Liabilities arising from post-employment benefits and other long-term employee benefits (i.e. accrued unused annual leave) are determined by consulting actuaries using the Projected Unit Credit Method. These employee benefits are established for those staff members who are entitled to such benefits under the IMO Staff Regulations and Staff Rules. Actuarial valuations are undertaken every two years, the most recent being completed as at 31 December 2015.

2.10.6.1: Actuarial Assumptions and Methods

114 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 2015 valuation, the assumptions used are as described in the table below.

115 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.

116 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 2015 based on the expenditure projections for the reporting period.

GENERAL	
Baseline Discount Rate	4.30% p.a. as of 31 December 2015 4.90% p.a. as of 31 December 2014
General Inflation	3.00% p.a. as of 31 December 2015 3.60% p.a. as of 31 December 2014
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: For males the rates of improvement are 2% p.a. for those under 70, reducing to nil for those over 95. For females the rates of improvement are 2% p.a. for those under 60 reducing to nil for those over 90. Those rates of improvement are assumed to apply until 2033 (2014: assumed to apply until 2027).
Withdrawal Rates 31 December 2014	Vary according to age, gender and length of service, with different rates applying to professional and general service staff, in line with the assumptions used for the valuation of the UN Joint Staff Pension Fund as at 31 December 2011
Withdrawal Rates 31 December 2015	Vary according to age, gender and length of service, with different rates applying to professional and general service staff, in line with the assumptions used for the valuation of the UN Joint Staff Pension Fund as at 31 December 2013
Retirement Rates 31 December 2014	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, in line with the assumptions used for the valuation of the UN Joint Staff Pension Fund as at 31 December 2011
Retirement Rates 31 December 2015	Vary according to age, gender and length of service, with different rates applying to professional and general service staff and staff joining before 1 January 1990, between 1 January 1990 and 1 January 2014 and after January 2014, in line with the assumptions used for the valuation of the UN Joint Staff Pension Fund as at 31 December 2013
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	31 December 2015: 5% pa fixed 31 December 2014: Declining from 8% p.a. in 2012 to 4.5% per annum from 2027 onwards
Ageing increases	3.5% p.a. for those under 65, 2.5% p.a. for those between 65 and 70 reducing in five year age bands to nil for those over age 90

Assumptions used to value Repatriation Benefits		
Participation	All eligible employees will receive the benefit on separation from service	
	31 December 2015	31 December 2013
Aged related salary scale	Reducing on a straight line basis from 9.6% at age 20 to 4.5% at age 60 for professional staff and 7.4% at 20 to 4.5% at age 65 for general services staff	Reducing on a straight line basis from 10.2% at age 20 to 5.1% at age 60 for professional staff and 8.0% at 20 to 5.1% at age 65 for general services staff
Repatriation travel costs	Assumed to be £6,000 and to increase at a rate of 2.5% p.a.	
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% in the second year of service, 6.5% p.a. for 3-7 years and 0.1% p.a. thereafter.	

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

2.10.6.2: Reconciliation of Defined Benefit Obligation

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
	GBP			
Defined Benefit Obligation as at 01.01.2015	30,633,564	2,615,211	1,364,362	34,613,137
Service cost for 2015	896,961	163,906	25,213	1,086,080
Interest cost for 2015	1,486,701	121,667	59,760	1,668,128
Actuarial (Gain)/Loss	(3,129,432)	397,610	993,267	(1,738,555)
Actual gross benefit payments for 2015	(585,471)	(264,421)	(289,533)	(1,139,425)
Defined Benefit Obligation as at 31.12.2015	29,302,323	3,033,973	2,153,069	34,489,365

2.10.6.3: Annual Expense and Changes in Net Assets for Calendar Year 2015

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
	GBP			
Service cost	896,961	163,906	25,213	1,086,080
Interest cost	1,486,701	121,667	59,760	1,668,128
Actuarial (Gain)/Loss	(3,129,432)	397,610	993,267	(1,738,555)
Total Expense recognized in 2015	(745,770)	683,183	1,078,240	1,015,653

118 Actuarial gains and losses are recognised through the statement on Changes in Net Assets while service costs and interest costs are included as part of “Staff and Other Personnel Costs”.

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

2.10.6.4: Summary of Prior Year Amounts

120 The cumulative amount presented in the statement of changes in net assets/equity is that generated as a result of the actuarial valuation carried out in 2015.

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
Actuarial Losses/(Gains) as at 01.01.2015	7,151,947	(718,706)	157,374	6,590,615
Actuarial Losses/(Gains) in 2015	(3,129,432)	397,610	993,267	(1,738,555)
Actuarial Losses/(Gains) as at 31.12.2015	4,022,515	(321,096)	1,150,641	4,852,060

121 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.

122 The primary contributory factor in the net actuarial gain for 2015 is the change in assumptions made for increases in healthcare costs. In 2015 these were assumed to increase 5% per annum, while in previous actuarial valuations they were assumed to increase at 8% per annum, falling to 4.5% per annum from 2027 onwards. This actuarial gain was to some extent offset by an actuarial loss arising from the decrease in the assumption made on the discount rate from 4.9% per annum to 4.3% per annum.

IMO	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
ASHI	GBP				
Present Value of Defined Benefit Obligation	29,302,323	30,633,564	28,868,716	25,687,867	24,254,786
Experience (gain)/loss on Scheme Liabilities	(5,217,624)	-	(1,079,154)	-	264,822
Loss on changes in assumptions used to value Scheme liabilities	2,088,192	-	2,805,279	-	5,161,000

IMO	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Repatriation	GBP				
Present Value of Defined Benefit Obligation	3,033,973	2,615,211	2,829,918	2,728,950	2,591,269
Experience loss/(gain) on Scheme Liabilities	425,584	-	18,337	-	(864,114)
(Gain)/loss on changes in assumptions used to value Scheme liabilities	(27,974)	-	(20,929)	-	148,000

IMO	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Annual Leave	GBP				
Present Value of Defined Benefit Obligation	2,153,069	1,364,362	1,394,357	1,405,111	1,372,806
Experience loss/(gain) on Scheme Liabilities	991,945	-	134,775	-	(27,594)
(Gain)/loss on changes in assumptions used to value Scheme liabilities	1,322	-	(4,807)	-	55,000

IMO	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Total	GBP				
Present Value of Defined Benefit Obligation	34,489,365	34,613,137	33,092,991	29,821,928	28,218,861
Experience (gains) on Scheme Liabilities	(3,800,095)	-	(926,042)	-	(626,886)
Loss on changes in assumptions used to value Scheme liabilities	2,061,540	-	2,779,543	-	5,364,000

2.10.6.5: Sensitivity Analysis

123 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.

124 The obligations were valued based on a discount rate of 4.3% as of 31 December 2015. The table below shows the effect of a one point percentage change in the discount rate as of 31 December 2015.

	After Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan
	%		
%+1	(5,800,000)	(200,000)	(200,000)
%-1	8,100,000	200,000	200,000

125 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 2015	1% decrease 2015
Effect on the aggregate of the service cost and interest cost	700,000	(500,000)
Effect on defined benefit obligation	7,700,000	(5,700,000)

2.10.6.6: Expected Costs during 2015

126 The expected contribution of IMO in 2016 to the defined benefits plans is £1,155,000 (2015 estimate: £1,104,000). This has been derived from the 2015 paid figures with the ASHI payments unchanged for 2016 and the repatriation and annual leave payments increasing in line with general inflation.

2.10.7: United Nations Joint Staff Pension Fund

127 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.

128 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.

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

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

131 After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2013, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets

also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

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

133 During 2015, total contributions paid to UNJSPF amounted to £5,182,986 (2014: £4,973,707). The Organization's contributions on behalf of staff members amounted to £3,455,324 (2014: £3,315,805). Expected contributions due in 2015 are £3,559,000

134 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

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

	IMO		Consolidated	
	2015	2014	2015	2014
	GBP		GBP	
Current	34,102	53,647	34,102	53,647
Non-current	-	35,182	-	35,182
Total Finance Lease Liabilities	34,102	88,829	34,102	88,829

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

	IMO			Consolidated		
	Minimum payments due	Finance charges	Present value of minimum payments	Minimum payments due	Finance charges	Present value of minimum payments
	GBP			GBP		
Less than one year	34,968	866	34,102	34,968	866	34,102
One to three years	-	-	-	-	-	-
Total Finance Lease liabilities	34,968	866	34,102	34,968	866	34,102

137 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

138 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	
	2015	2014	2015	2014
	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	13,153,266	14,349,017	13,153,266	14,349,017
Total future minimum lease payments - operating leases	20,327,774	21,523,525	20,327,774	21,523,525

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

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

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

142 The significant lease arrangements are highlighted below:

- **Alterations:** The Organization is not entitled to make alterations or additions affecting the structure or the main services of the premises without written approval of the Landlord, the United Kingdom (UK) government;
- **Under-letting:** When under-letting the building, the Organization must first offer to underlet to the landlord;
- **Letting out of conference facilities:** When letting out conference facilities for commercial purposes, the Organization is required to "consider as a priority any request given with adequate prior notice by the Landlord"; and
- **Sharing of income and expenses:** The lease agreement requires the sharing of all income from 'Net Rental' and all costs of "Major Repairs" on an 80:20 basis between the Government of the United Kingdom and the Organization.

Note 2.12: Fund Balances and Reserves

Organization Only	Opening Balance	Operating Surplus for the Period	Other Movements in Reserves	Closing Balance
	01.01.2015			31.12.2015
GBP				
General Fund	12,936,987	2,176,817	-	15,113,804
Working Capital Fund	1,957,244	(299,058)	-	1,658,186
Trading Fund	8,320,890	907,372	-	9,228,262
Termination Benefit Fund	(29,758,067)	(1,535,861)	1,738,555	(29,555,373)
HQ Capital Fund	2,883,134	448,699	-	3,331,833
Training and Development Fund	228,066	(30,177)	-	197,889
Technical Cooperation Fund	6,493,105	905,045	-	7,398,150
Bilateral Operations and Multi-Donor Trust Funds⁶:				
Djibouti Code of Conduct Trust Fund	2,103,049	(359,880)	-	1,743,169
Norwegian Agency for Development Corporation (NORAD)	1,099,875	182,342	-	1,282,217
International Maritime Security Trust (IMST) Fund	974,008	198,268	-	1,172,276
Model Courses Development Trust Fund	912,350	140,807	-	1,053,157
GESAMP Trust Fund	1,013,710	(146,275)	-	867,435
United Nations Development Programme-Global Environment Facility	181,230	577,732	-	758,962
IMO West and Central Africa Maritime Security Trust Fund	1,291,241	(524,263)	-	766,978
United Kingdom	657,989	79,914	-	737,903
Republic of Korea	625,442	48,913	-	674,355
Associate Professional Officers	594,489	(6,016)	-	588,473
Other Bilateral Operations and Multi-Donor Trust Funds ⁷	3,262,276	(73,778)	-	3,188,498
Total	15,777,018	2,690,601	1,738,555	20,206,174

Consolidated	Opening Balance	Operating Surplus for the Period	Other Movements in Reserves	Closing Balance
	01.01.2015			31.12.2015
GBP				
Total	21,398,854	4,012,062	1,630,813	27,041,729

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

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

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

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

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

146 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.

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

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

149 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.

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

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

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

152 The Organization's ten largest contributors to assessed contributions in 2015 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	5,219,605	17.33
2	Liberia	3,005,150	9.98
3	Marshall Islands	2,412,117	8.01
4	Singapore	1,826,551	6.06
5	Bahamas	1,310,682	4.35
6	United Kingdom	1,291,733	4.29
7	Malta	1,285,852	4.27
8	China	1,198,241	3.98
9	Japan	1,022,500	3.39
10	Greece	1,019,406	3.38
	Total	19,591,837	65.04

Note 3.2: Donor Voluntary Contributions

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

154 The Organization's ten largest contributors to donor revenue in 2015 are shown below:

IMO		Amount GBP	% of total donor revenue
1	Government of the United Kingdom	1,107,000	19.4
2	United Nations Development Programme (UNDP)	989,924	17.4
3	Government of Norway	870,491	15.3
4	Government of Canada	547,605	9.6
5	Government of the Republic of Korea	524,525	9.2
6	United Nations Environment Programme (UNEP)	402,014	7.0
7	Government of the United States of America	267,000	4.7
8	European Commission	238,296	4.2
9	Government of China	202,550	3.5
10	Government of Germany	168,022	2.9
	Total	5,317,427	93.2

155 The consolidated group's ten largest contributors to donor revenue in 2015 are shown below:

Consolidated		Amount GBP	% of total donor revenue
1	Government of Sweden	1,956,630	21.4
2	Government of the United Kingdom	1,107,000	12.1
3	United Nations Development Programme (UNDP)	989,924	10.8
4	Government of Norway	870,491	9.5
5	Government of the Republic of Korea	701,026	7.7
6	Government of Canada	649,367	7.1
7	Nippon Foundation	620,750	6.8
8	United Nations Environment Programme (UNEP)	402,014	4.4
9	European Commission	369,924	3.9
10	Government of the United States of America	267,000	2.9
Total		7,934,126	86.6

Note 3.3: Commercial Activities

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

	IMO		Consolidated	
	2015	2014	2015	2014
	GBP		GBP	GBP
Publication Sales	11,602,999	11,235,700	11,601,505	11,234,377
Cafeteria Sales	759,486	558,964	768,357	612,864
Assessment fees	153,612	837,150	153,612	837,150
Letting of conference facilities and other commercial revenue	3,807	6,427	912,780	1,436,143
Total	12,519,904	12,638,241	13,436,254	14,120,534

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

	IMO	
	2015	2014
	GBP	GBP
Sale of physical publications	10,238,784	10,313,366
Electronic publications	487,333	337,239
Royalties	534,809	272,236
Subscriptions	168,669	146,507
Model Courses	142,313	136,442
Other publications	31,091	29,910
Total	11,602,999	11,235,700

Note 3.4: Fellowships

158 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	
	2015 GBP	% of total fellowship revenue
1 Ship and Ocean Foundation	716,552	19.1
2 Indonesian Port Corporation	397,516	10.6
3 Transport Education Training Authority	297,672	7.9
4 Nippon Foundation	243,880	6.5
5 TK foundation, UK	131,357	3.5
Total	1,786,977	47.6

Note 3.5: Other Revenue

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

	IMO		Consolidated	
	2015 GBP	2014 GBP	2015 GBP	2014 GBP
Interest earned on investment of funds	222,078	239,073	258,180	284,403
Sub-letting of office space	25,881	34,383	33,166	37,101
Other revenue	32,337	24,033	781,344	427,294
Total	280,296	297,489	1,072,690	748,798

NOTE 4: EXPENDITURE

	IMO		Consolidated	
	2015	2014	2015	2014
	GBP	GBP	GBP	GBP
4.1 Staff and other personnel costs				
Professional and General Service staff, experts	25,791,510	25,582,350	30,425,477	30,364,950
Appointment and Separation	2,473,539	2,420,826	2,511,292	2,540,483
Termination benefit	36,300	(38,698)	36,301	(38,698)
Consultants	1,600,892	1,124,163	2,193,075	1,472,808
Temporary assistance	987,431	904,809	1,050,834	1,047,982
Meetings personnel (Interpreters, translators, temporary employees)	862,822	854,718	862,822	854,718
Total staff and other personnel costs	31,752,494	30,848,168	37,079,801	36,242,243
4.2 Travel expenses				
Fares	926,514	1,040,242	1,143,534	1,287,857
Daily Subsistence Allowance (DSA) and other expenses	758,819	816,699	911,873	979,038
Total travel expenses	1,685,333	1,856,941	2,055,407	2,266,895
4.3 Supplies, consumables and other running costs				
Office supplies and consumables	113,970	102,792	153,812	133,873
Telecommunications and information technology	1,150,008	1,059,067	1,261,349	1,115,971
Rent, rates and insurance	1,409,949	1,423,374	1,469,537	1,500,377
Utilities	510,729	525,570	552,128	564,339
Medical costs	23,423	22,862	23,423	22,862
Library books, magazines, subscriptions	29,300	18,255	201,238	169,582
Hospitality	50,460	33,639	163,580	141,585
Vehicle, local transport and hotel accommodation	37,560	44,716	55,731	55,707
Postage, telephone and freight	367,247	412,070	426,555	484,338
Equipment, furniture and local procurement	849,637	646,144	800,327	674,760
Building maintenance	1,098,678	1,103,968	1,102,262	1,110,706
Other operational costs	-	-	282,398	416,331
Total supplies, consumables and other running costs	5,640,961	5,392,457	6,492,340	6,390,431
4.4 Costs related to trading activities				
Cost of Sales IMO Publications	874,068	943,224	874,068	943,224
Cost of Sales Model courses	29,146	21,673	29,146	21,673
Loss/(Gain) on Physical Inventory	2,318	(3,329)	2,318	(3,329)
Publications issued free of charge	25,703	42,658	25,703	42,658
Provision for return of obsolete publications	63,182	76,891	63,182	76,891
Printing (contract - out)	150,147	140,784	150,147	140,784
Electronic publishing (IMO/Vega)	100,376	116,300	100,376	116,300
Catering food and supplies	446,595	382,005	459,605	448,062
Public relations articles held by WMU	-	-	6,317	5,374
Total costs related to trading activities	1,691,535	1,720,206	1,710,862	1,791,637

	IMO		Consolidated	
	2015	2014	2015	2014
	GBP	GBP	GBP	GBP
4.5 Outsourced services				
Security services	444,901	433,396	489,451	467,420
Cleaning services	420,953	397,898	527,785	545,671
Telecommunications/IT related services	-	-	19,595	37,226
Catering services	-	-	80,119	-
Leases	40,812	24,972	40,812	24,972
Sub-contract delivery of Technical Cooperation activities	36,665	212,692	10,265	212,691
Total outsourced services	943,331	1,068,958	1,168,027	1,287,980
4.6 Training and development				
Staff training	94,852	92,002	120,436	98,760
Fellowships	843,124	598,569	1,877,230	2,218,553
Group training including participant travel	2,227,692	2,304,930	2,202,651	2,304,930
Student costs (WMU and IMLI)	-	-	73,005	92,030
Total training and development	3,165,668	2,995,501	4,273,322	4,714,273
4.7 Currency exchange (gains)	(696,736)	(883,230)	(1,047,344)	(871,721)
4.8 Depreciation, amortization and impairment				
Depreciation of property, plant and equipment	428,694	449,970	573,961	581,049
Donation of completed Assets Under Construction	-	467,449	-	467,449
(Gains) on disposal of property, plant and equipment	(10,910)	(1,219)	(551)	(1,219)
Impairment of property, plant and equipment	949	-	949	-
Amortization of intangible assets	140,251	98,939	151,955	111,638
Loss on disposal of intangible assets	933	-	933	-
Impairment of IMO publications	68,033	17,987	68,033	17,987
Total depreciation, amortization and impairment	627,950	1,033,126	795,280	1,176,904
4.9 Return of unspent funds	17,665	48,644	17,665	48,644
4.10 Other expenses				
Jointly financed UN bodies	82,028	91,992	82,027	91,992
Grants	313,187	248,367	64,900	-
Bank charges	174,562	175,433	189,879	191,534
External audit	52,477	55,600	89,839	92,726
Other miscellaneous expenses	486,537	360,539	546,323	445,281
Total other expenses	1,108,791	931,932	972,968	821,533
Total expenses	45,936,992	45,012,703	53,518,328	53,868,819

160 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.

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

162 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 (2014: £1,195,751).

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

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

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

166 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

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

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

169 Presentation differences are due to differences in the format and classification schemes adopted for the presentation of the Statement of Cash Flow and the Statement of Comparison of Budget and Actual Amounts. The budget for extra-budgetary activities of IMO

funded by the various donor/trust Funds is not included in Statement V and thus the amounts associated with the revenues and expenses of those Funds are classified as presentation differences. The comparison between budget and actual amounts is 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.

170 The 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 (Statement IV) for the year ended 31 December 2015 is presented in the ensuing paragraphs.

171 Budget amounts have been presented on a functional classification basis in accordance with the approved budget for 2015, which presents a breakdown of the budget for purposes of the above comparison. The amount of net receipts over payments of £2,410,238 for 2015 shown in Statement Va (IMO only) has been reconciled to the net increase in cash and cash equivalents of £496,314 presented in Statement IV (IMO 2015) and the details of the reconciliation are 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	2,410,238	-	2,410,238
Basis differences	a	(980,753)	-	(1,078,301)
Presentation differences	b	311,966	-	311,966
Entity difference	c	-	-	-
Total Differences	B=a+b+c	(668,787)	-	(1,747,088)
Actual Amounts in the Statement of Cash Flow (Statement IV)	C=A+B	1,741,451	-	663,150

172 The reconciliation of the amount of net receipts over payments of £3,264,183 shown in Statement Vb (Consolidated 2015 including WMU and IMLI) has also been made to the net increase in cash and cash equivalents of £1,576,885 indicated in Statement IV (Consolidated 2015), as shown in the table below, using the reconciliation statements submitted by WMU and IMLI.

Adjustments Pertaining to the Cash Flows from:				
	Operating Activities	Financing Activities	Investing Activities	Total
	GBP Consolidated			
Actual Amounts on Comparable Basis (Statement Vb)	A	3,264,183	-	3,264,183
Basis differences	a	(843,659)	587,200	(1,696,247)
Presentation differences	b	164,362	11,423	175,785
Entity difference	c	-	-	-
Total Differences	B=a+b+c	(679,297)	598,623	(1,520,462)
Actual Amounts in the Statement of Cash Flow (Statement IV)	C=A+B	2,584,886	598,623	1,743,721

NOTE 6: SEGMENT REPORTING

Note 6.1: Segmental Statements of Financial Position

Note 6.1.1: Statement of Financial Position by Segment – IMO

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Elimination	Grand Total
	GBP				
ASSETS					
Current assets					
Cash and cash equivalents	24,469,564	8,466,065	20,457,823	-	53,393,452
Contributions receivable	340,266	-	2,499,664	-	2,839,930
Inventories	-	833,693	-	-	833,693
Advances to sub-contractors	6,750	-	784,217	-	790,967
Inter-segment sums receivable	2,767,139	982,896	2,087,480	(5,837,515)	-
Other receivables					
Relating to exchange transactions	1,659,306	198,887	93,715	-	1,951,908
Relating to non-exchange transactions	-	-	-	-	-
Total Current Assets	29,243,025	10,481,541	25,922,899	(5,837,515)	59,809,950
Non-current assets					
Property, plant and equipment	1,165,345	23,025	52,728	-	1,241,098
Intangible assets	380,171	-	129,121	-	509,292
Total non-current assets	1,545,516	23,025	181,849	-	1,750,390
TOTAL ASSETS	30,788,541	10,504,566	26,104,748	(5,837,515)	61,560,340
LIABILITIES					
Current liabilities					
Payables and accruals					
Relating to exchange transactions	(1,251,334)	(485,426)	(947,443)	-	(2,684,203)
Relating to non-exchange transactions	(1,378,936)	-	(2,585,536)	-	(3,964,472)
Provisions and warranties	-	(68,225)	-	-	(68,225)
Inter-segment sums payable	(2,789,129)	(718,768)	(2,329,618)	5,837,515	-
Employee benefits	(99,336)	(3,885)	(10,578)	-	(113,799)
Finance lease liabilities	(34,102)	-	-	-	(34,102)
Total current liabilities	(5,552,837)	(1,276,304)	(5,873,175)	5,837,515	(6,864,801)
Non-current liabilities					
Employee benefits	(34,489,365)	-	-	-	(34,489,365)
Finance lease liabilities	-	-	-	-	-
Total non-current liabilities	(34,489,365)	-	-	-	(34,489,365)
TOTAL LIABILITIES	(40,042,202)	(1,276,304)	(5,873,175)	5,837,515	(41,354,166)
NET ASSETS	(9,253,661)	9,228,262	20,231,573	-	20,206,174
FUND BALANCES AND RESERVES					
Fund balances and reserves	(10,014,081)	8,320,890	19,208,764	-	17,515,573
Surplus for the year	760,420	907,372	1,022,809	-	2,690,601
TOTAL FUND BALANCES AND RESERVES	(9,253,661)	9,228,262	20,231,573	-	20,206,174

Note 6.1.2: Statement of Financial Position by Segment – Consolidated

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Education and Research	Elimination	Grand Total
GBP						
ASSETS						
Current assets						
Cash and cash equivalents	24,469,564	8,466,065	20,457,823	9,969,190	-	63,362,642
Contributions receivable	340,266	-	2,499,664	3,363	-	2,843,293
Inventories	-	833,693	-	28,388	-	862,081
Advances to sub-contractors	6,750	-	784,217	-	-	790,967
Inter-segment sums receivable	2,767,139	982,896	2,087,480	-	(5,837,515)	-
Other receivables						
Relating to exchange transactions	1,659,306	198,887	93,715	985,584	(7,634)	2,929,858
Relating to non-exchange transactions	-	-	-	63,527	-	63,527
Total current assets	29,243,025	10,481,541	25,922,899	11,050,052	(5,845,149)	70,852,368
Non-current assets						
Property, plant and equipment	1,165,346	23,025	52,727	397,011	-	1,638,109
Intangible assets	380,170	-	129,122	10,165	-	519,457
Total non-current assets	1,545,516	23,025	181,849	407,176	-	2,157,566
TOTAL ASSETS	30,788,541	10,504,566	26,104,748	11,457,228	(5,845,149)	73,009,934
LIABILITIES						
Current liabilities						
Payables and accruals						
Relating to exchange transactions	(1,251,334)	(485,426)	(947,443)	(264,365)	12,664	(2,935,904)
Relating to non-exchange transactions	(1,378,936)	-	(2,585,536)	(3,996,590)	157,951	(7,803,111)
Provisions and warranties	-	(68,225)	-	-	-	(68,225)
Inter-segment sums payable	(2,789,129)	(718,768)	(2,329,618)	-	5,837,515	-
Employee benefits	(99,336)	(3,885)	(10,578)	(29,935)	-	(143,734)
Finance lease liabilities	(34,102)	-	-	-	-	(34,102)
Total current liabilities	(5,552,837)	(1,276,304)	(5,873,175)	(4,290,890)	6,008,130	(10,985,076)
Non-current liabilities						
Employee benefits	(34,489,365)	-	-	(493,764)	-	(34,983,129)
Finance lease liabilities	-	-	-	-	-	-
Total non-current liabilities	(34,489,365)	-	-	(493,764)	-	(34,983,129)
TOTAL LIABILITIES	(40,042,202)	(1,276,304)	(5,873,175)	(4,784,654)	6,008,130	(45,968,205)
NET ASSETS	(9,253,661)	9,228,262	20,231,573	6,672,574	162,981	27,041,729
FUND BALANCES AND RESERVES						
Fund balances and reserves	(10,014,081)	8,320,890	19,208,764	5,762,381	(248,287)	23,029,667
Surplus for the year	760,420	907,372	1,022,809	910,193	411,268	4,012,062
TOTAL FUND BALANCES AND RESERVES	(9,253,661)	9,228,262	20,231,573	6,672,574	162,981	27,041,729

Note 6.2: Segmental Statements of Financial Performance

Note 6.2.1: Statement of Financial Performance by Segment – IMO

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Elimination	Grand Total
	GBP				
Revenue					
Assessed contributions	30,122,047	-	-	-	30,122,047
Donor voluntary contributions	800,000	-	4,905,346	-	5,705,346
Commercial activities	3,807	12,249,569	266,528	-	12,519,904
Other revenue	181,758	48,643	49,895	-	280,296
Support costs earned	1,263,058	-	-	(1,263,058)	-
Inter-segment transfers	2,139,327	(6,251,819)	5,000,110	(887,618)	-
TOTAL REVENUE	34,509,997	6,046,393	10,221,879	(2,150,676)	48,627,593
Expenditure					
Staff and other personnel costs	(26,893,979)	(1,837,061)	(3,021,454)	-	(31,752,494)
Travel expenses	(248,056)	(49,780)	(1,387,497)	-	(1,685,333)
Supplies, consumables and other running costs	(4,265,834)	(642,437)	(732,690)	-	(5,640,961)
Cost related to trading activities	(354)	(1,691,181)	-	-	(1,691,535)
Outsourced services	(774,252)	(132,414)	(36,665)	-	(943,331)
Training and development	(94,852)	-	(3,070,816)	-	(3,165,668)
Support costs charged	-	(579,997)	(683,061)	1,263,058	-
Depreciation, amortisation and impairment	(517,268)	(75,596)	(35,086)	-	(627,950)
Return of unspent funds	-	-	(17,665)	-	(17,665)
Other expenses	(253,533)	(131,106)	(724,152)	-	(1,108,791)
Inter-segment transfers	(780,000)	-	(107,618)	887,618	-
TOTAL EXPENDITURE	(33,828,128)	(5,139,572)	(9,816,704)	2,150,676	(46,633,728)
Currency exchange gains	78,551	551	617,634	-	696,736
SURPLUS FOR THE YEAR	760,420	907,372	1,022,809	-	2,690,601

Note 6.2.2: Statement of Financial Performance by Segment – Consolidated

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Education and Research	Elimination	Grand Total
GBP						
Revenue						
Assessed contributions	30,122,047	-	-	-	-	30,122,047
Donor voluntary contributions	800,000	-	4,905,346	3,431,827	4,934	9,142,107
Commercial activities	3,807	12,249,569	266,528	1,088,347	(171,997)	13,436,254
Fellowships	-	-	-	4,220,754	(463,462)	3,757,292
Other revenue	181,758	48,643	49,895	793,081	(687)	1,072,690
Support costs earned	1,263,058	-	-	-	(1,263,058)	-
Inter-segment transfers	2,139,327	(6,251,819)	5,000,110	-	(887,618)	-
TOTAL REVENUE	34,509,997	6,046,393	10,221,879	9,534,009	(2,781,888)	57,530,390
Expenditure						
Staff and other personnel costs	(26,893,979)	(1,837,061)	(3,021,454)	(5,344,451)	17,144	(37,079,801)
Travel expenses	(248,056)	(49,780)	(1,387,497)	(370,074)	-	(2,055,407)
Supplies, consumables and other running costs	(4,265,834)	(642,437)	(732,690)	(945,454)	94,075	(6,492,340)
Costs related to trading activities	(354)	(1,691,181)	-	(19,327)	-	(1,710,862)
Outsourced services	(774,252)	(132,414)	(36,665)	(251,096)	26,400	(1,168,027)
Training and development	(94,852)	-	(3,070,816)	(1,762,455)	654,801	(4,273,322)
Support costs charged	-	(579,997)	(683,061)	-	1,263,058	-
Depreciation, amortization and impairment	(517,268)	(75,596)	(35,086)	(167,330)	-	(795,280)
Return of unspent funds	-	-	(17,665)	-	-	(17,665)
Other expenses	(253,533)	(131,106)	(724,152)	(112,464)	248,287	(972,968)
Inter-segment transfers	(780,000)	-	(107,618)	-	887,618	-
TOTAL EXPENDITURE	(33,828,128)	(5,139,572)	(9,816,704)	(8,972,651)	3,191,383	(54,565,672)
Currency exchange gains	78,551	551	617,634	348,835	1,773	1,047,344
SURPLUS FOR THE YEAR	760,420	907,372	1,022,809	910,193	411,268	4,012,062

173 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 £6,207,174, of which £4,965,739 was to the Technical Cooperation Fund, comprising £4,717,452 for the TC Fund itself and a further £248,287 for onward transfer to WMU, and £1,241,435 was to the Core Programme. In addition, there are support costs totalling £683,061 charged on extra-budgetary activities and £579,997 charged to the Trading Activities to reimburse costs incurred by the Core Programme.

174 In the consolidated notes, revenue totalling £453,466 (2014:£231,083) and expenditure totalling £799,419 (2014:£458,839) between IMO and WMU, and revenue totalling £177,746 (2014:£183,580) and expenditure totalling £243,061 (2014:£165,262) between IMO and IMLI, have been included in the segment reporting figures and eliminated in arriving at the consolidated position, the elimination producing a net effect of increasing the surplus by £411,268 (2014: £209,438). Further information on the nature of these transactions is provided in note 9.2.

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

NOTE 7: COMMITMENTS AND CONTINGENCIES

Note 7.1: Commitments

176 As at 31 December 2015, IMO had commitments for goods and services including consultancy contracted but not delivered as follows:

	IMO	
	2015	2014
	GBP	GBP
Purchase of services including consultancy	2,696,331	1,745,753

177 The actual discharge of the 2014 commitments in 2015 is £1,201,006, the breakdown of which is shown below:

	2014 Commitments	2015 discharge
Regular budget strategic results	58,685	33,616
Trading activities	-	-
Headquarters capital	495,153	385,044
Training and development	1,200	-
Termination benefit	-	-
Technical cooperation (TC Fund)	746,434	515,975
Sub-total	1,301,472	934,635
Technical cooperation (Donor Funds)	444,281	266,371
Total	1,745,753	1,201,006

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

Note 7.2: Legal or Contingent Liabilities

179 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.

180 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 \$304,141 and \$396,423 respectively, as at 30 June 2015, between IMO and UNDP.

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

181 Financial Regulation 12.3 provides that "The Secretary-General may make such ex-gratia payments as he deems to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted to the Assembly with the financial statements". During 2015, no ex-gratia payments were made relating to staff termination, medical related bills or service incurred losses suffered by staff.

182 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 2015, cash losses, irrecoverable receivables, loss of assets and advances to staff and suppliers resulted in write-offs to the total amount of £319 (2014: £5,753) for IMO and for the consolidated group £10,444 (2014: £22,568). In addition, write-offs as a result of the loss or obsolescence of inventory totalled £68,033 (2014: £17,987) for IMO and £76,389 for the consolidated group (2014: £19,146).

183 There were no cases of fraud or presumptive fraud in 2015.

NOTE 9: RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

Note 9.1: Key Management Personnel

IMO		GBP				
Number of individuals (Full Time Equivalent)	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration 2015	Outstanding Advances against entitlements 31.12.2015	Outstanding Loans 31.12.2015
8	1,146,014	63,185	230,073	1,439,272	Nil	Nil
Consolidated		GBP				
Number of individuals	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration 2015	Outstanding Advances against entitlements 31.12.2015	Outstanding Loans 31.12.2015
10	1,462,615	73,996	278,304	1,814,915	Nil	Nil

184 Key management personnel of IMO are the Secretary-General and the seven Divisional Directors. Key management personnel of the consolidated group are the key management personnel of IMO in addition to the President of the WMU and the Director of the IMLI, as they have the authority and responsibility for planning, directing and controlling the activities of the consolidated group. In 2015, there was an acting President for the WMU until 30 June 2015, when the new President was appointed.

185 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 effects shipment costs, and employer pension and current health insurance contributions.

186 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

187 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.

188 During 2015, IMO provided £637,585 (2014: £450,289) and £242,995 (2014: £165,262) in fellowship and other funding to WMU and IMLI, respectively, under its Technical Cooperation Programme. These amounts are reflected in expenditure in the IMO figures and have been eliminated on consolidation. Current liabilities of WMU towards IMO totalling £280,242 (2014: £176,366) and IMLI towards IMO of £163,812 (2014: £107,284), in respect of deferred fellowship revenue, have also been eliminated.

NOTE 10: OTHER CHANGES IN NET ASSETS

189 In addition to the actuarial gains of £1,738,555 reported in Note 2.10, exchange rate differences arise due to the effect of converting the opening net assets of WMU and IMLI, whose functional currencies are Swedish Krona and Euro respectively, at the 2015 closing rate which differs from the 2014 closing rate. Such changes are presented as a separate component of net assets/equity in accordance with IPSAS 4.

	GBP		
	WMU	IMLI	Total
Opening balance at 31.12.2015 exchange rate	3,265,727	1,941,174	5,206,901
Opening balance at 01.01.2015 exchange rate	3,311,861	2,061,938	5,373,799
	(46,134)	(120,764)	(166,898)

NOTE 11: EVENTS AFTER REPORTING DATE

190 IMO's reporting date is 31 December 2015. 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 Director, Legal Affairs and External Relations Division	Mr. F. J. Kenney	4, Albert Embankment London SE1 7SR United Kingdom
Actuary	Barnett Waddingham LLP	Cheapside House 138 Cheapside London EC2V 6BW
Principal Bankers	J.P. Morgan Chase	JP Morgan Chase Bank N.A. 25 Bank Street Canary Wharf London E14 5JP
External Auditor	Auditor General of Ghana	The Auditor General Ministry Block O P.O. Box M 96 Accra Ghana

ANNEX 2

**OPINION OF THE EXTERNAL AUDITOR ON THE ORGANIZATION'S FINANCIAL
STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015**

INDEPENDENT AUDITOR'S REPORT

TO:
THE CHAIRMAN
116TH SESSION OF THE COUNCIL
INTERNATIONAL MARITIME ORGANIZATION

Report on the Financial Statements

We have audited the accompanying financial statements of the International Maritime Organization (IMO) for the year ended 31 December, 2015 which comprises Secretary General's statement, Statement of financial position, Statement of financial performance, Statement of changes in net assets, Statement of cash flow, Statement of comparison of budget and actual amounts and Notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with International Public Sector Accounting Standards (IPSAS). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of risks of material misstatement of the Financial

Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of IMO as at 31 December, 2015, and its financial performance and of its cash flows for the financial period of 1 January to 31 December, 2015 in accordance with IPSAS.

Report on other Legal and Regulatory Requirements

Further, in my opinion, the transactions of the International Maritime Organization that have come to my notice or which were tested as part of my audit have, in all significant respects, been in accordance with IMO's Financial Regulations and Financial Rules.

In accordance with Article XII of the Financial Regulations, I have also issued a Long Form Report on my audit of IMO.

**RICHARD Q. QUARTEY
AUDITOR-GENERAL OF GHANA
EXTERNAL AUDITOR**

**15TH APRIL, 2016
ACCRA, GHANA**