

INTERNATIONAL MARITIME ORGANIZATION



FINANCIAL REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

REPORT OF THE EXTERNAL AUDITORS: OPINION



WORLD MARITIME DAY 2019
EMPOWERING WOMEN
IN THE MARITIME COMMUNITY

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INTERNATIONAL MARITIME ORGANIZATION

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

2 The Report of the External Auditor on the audit of the 2018 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 322 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 173 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".

HIGHLIGHTS OF MARITIME ACTIVITIES IN 2018

7 2018 saw IMO actively pursuing its targets and objectives in a wide range of subject areas. Some of the highlights of the year for the Organization are summarized below.

Maritime safety

8 In 2018, the Maritime Safety Committee (MSC) commenced work on a regulatory scoping exercise to determine how the safe, secure and environmentally sound operation of Maritime Autonomous Surface Ships (MASS) may be introduced in IMO instruments, approved a framework and methodology for the exercise and identified degrees of autonomy. Provisional principles for the development of guidelines on MASS trials were noted, for further consideration.

9 MSC continued its work regarding *Goal-based ship construction standards for bulk and oil tankers (GBS)* and, in particular, confirmed that the information submitted concerning the maintenance of verification by the 12 IACS member recognized organizations demonstrated continued conformance with GBS, adopted an MSC resolution on *Revised guidelines for verification of conformity with goal-based ship construction standards for bulk carriers and oil tankers*, and approved *Interim Guidelines for development and application of the IMO goal-based standards safety level approach*. Furthermore, having considered the initial verification audit report of a further recognized organization, Türk Loydu, MSC confirmed that the information provided by Türk Loydu had demonstrated that its ship construction rules conform to the GBS.

10 Concerning the *International Code for ships operating in polar waters (Polar Code)*, MSC considered how the safety measures of the Code may be applied in the future to non-SOLAS vessels operating in polar waters, agreed on a roadmap for the work to be carried out, and instructed the Sub-Committee on Ship Design and Construction (SDC) to develop recommendatory safety measures for certain types of vessels when operating in polar waters.

11 Considering the recognition of services for use in the GMDSS, MSC 99 agreed that Iridium Satellite LLC had satisfied the established criteria to receive recognition as a mobile satellite communication service provider in the Global Maritime Distress and Safety System (GMDSS) and adopted a Statement of Recognition of the Maritime Mobile Satellite Services provided by Iridium Satellite LLC. The International Mobile Satellite Organization (IMSO) was invited to monitor the implementation of the Iridium services and report to the Committee when the Public Services Agreement with Iridium had been concluded and the Letter of Compliance issued.

12 At its landmark 100th session in December 2018, MSC conducted a special session to discuss future technologies and the continued role of the seafarer. A new IMO safety video was launched, highlighting the wide spectrum of work the Committee had done over six decades to enhance safety and security at sea, including navigation, cargoes, ship construction, seafarer training, search and rescue and communications and more.

13 The Committee also: accepted a new output on "Development of further measures to enhance the safety of ships relating to the use of fuel oil", recognizing the potential need for guidance and advice concerning possible safety issues related to the implementation of the 0.50% limit of the sulphur content of fuel oil; received updates on reported incidents of piracy and armed robbery against ships and stressed that the diligent application of IMO guidance and best management practices to counter piracy and armed robbery against ships worked and should be continued; adopted new and amended ships' routing measures; and approved Revised Guidelines on fatigue to assist all stakeholders to contribute to the mitigation and management of fatigue.

Facilitation and security

14 IMO has focussed on assisting States to implement a multi-agency and multi-disciplinary approach to maritime security and facilitation, with a particular focus on national organization and inter-agency cooperation, including the establishment of national maritime security and facilitation committees. Further, IMO's Global Enhancement of Maritime Security programme supported countries in enhancing security measures to protect ships and ports from threats posed by terrorism; piracy and armed robbery; smuggling of arms, drugs, and illicit goods; and other illicit activities. The programme comprises a range of training courses and technical assistance aimed at helping countries assess and respond to threats to their maritime borders and the free flow of trade, including emerging threats such as cyber security related challenges. In 2018, the programme continued to deliver assistance in response to requests of SOLAS Contracting Governments, and a new partnership with the United Nations on Drugs and Crime (UNODC) on strengthened implementation of international instruments related to countering maritime terrorism was initiated. Additional capacity building activities in ports have promoted better implementation of the FAL Convention, including the reduction of stowaway incidents. Ongoing maritime security and facilitation related issues under discussion in MSC and the FAL Committee included new Best Management Practices guidance for the Western Indian Ocean as well as the new Global Counter Piracy Guidance and updated guidance for the Gulf of Guinea region, as well as maritime single window and electronic data interchange.

Environmental protection

15 In 2018, the MEPC made landmark decision to address greenhouse gas (GHG) emissions from international shipping through the adoption of the IMO's Initial Strategy on the reduction of greenhouse gas emissions from ships, as well as a programme of follow-up actions of the Initial Strategy. The Strategy sets up, referring to the Paris Agreement, a series of clear significant levels of ambition including at least a 50 per cent cut in emissions from the sector by 2050.

16 The MEPC made significant progress on the preparation for the consistent implementation of the 0.50% m/m global limit of the sulphur content of ships' fuel oil, which will come into effect from 1 January 2020, with the related adoption of amendments to MARPOL Annex VI to prohibit the carriage of non-compliant fuel oil for combustion purposes for propulsion or operation on board a ship, as well as the approval of the Guidance on the development of a ship implementation plan for the consistent implementation of the 0.50% sulphur limit.

17 The MEPC adopted an IMO Action Plan to address marine plastic litter from ships, which builds on existing policy and regulatory frameworks, and identifies opportunities to enhance these frameworks and introduce new supporting measures to address the issue of marine plastic litter from ships. Follow-up proposals on the measures will be considered in future sessions, and the MEPC instructing the PPR Sub-Committee or other sub-committees, as appropriate, to commence the detailed technical work.

18 The MEPC adopted amendments to the Ballast Water Management Convention which, inter alia, completes the legal process for the Committee's previous agreement on the implementation schedule of complying with the D-2 standard as well as making the Code for approval of ballast water management systems mandatory. The MEPC also finalized the Data gathering and analysis plan for the Experience-building phase designed to promote the effective implementation of the BWM Convention.

19 The MEPC noted that over 50 technical cooperation activities related to the protection of the marine environment under IMO's Integrated Technical Cooperation Programme (ITCP) had been implemented by the Marine Environment Division, covering all geographic regions to and IMO's environmental conventions and protocols. The MEPC also noted that Secretariat has continued to coordinate and manage a number of Major Projects related to emerging environmental issues that have taken a thematic and result based intervention approach, to assist the IMO Member States to improve implementation of IMO environment-related conventions and protocols.

20 The governing bodies of London Convention/Protocol continued its work, addressing the presence of plastics and microplastics in wastes dumped at sea (such as dredged material and sewage sludge), and initiated the development of recommendations on disposal of fibreglass vessels.

Legal matters

21 The training programme on the implementation of IMO's instruments into domestic legislation continues and is expanding. It provides participants from IMO Member States with the opportunity to familiarize themselves with the Organization, its structure and the treaty making process at IMO. Treaties covered by the IMO Member State Audit Scheme as well as the civil liability conventions are presented and analysed. The main focus of the programme is on the implementation of those treaties into national legislation. The participants learn drafting techniques and best practices in the implementation process. Special attention is paid to the implementation of those amendments to IMO treaties which are adopted through the tacit acceptance procedure. The ultimate goal of the programme is to furnish participants with the knowledge that is necessary to develop national legislation and to keep it up to date to ensure compliance with IMO standards. Two workshops have been held, with success, a third is planned for late 2019.

22 A workshop on the benefits of ratification of the 2010 Hazardous and Noxious Substances (HNS) Convention has been developed and delivered in several locations over the previous biennium, including in South and Central Asia, South America, and the Pacific. The workshop provides a comprehensive overview of the Convention, with an in-depth analysis of the history of its development, principles, and need. It is delivered in collaboration with the IOPC Funds Secretariat, the International Group of P&I Clubs and Member States. Of particular note is instruction on the requirements needed for Member States to ratify the 2010 HNS Protocol, the remaining piece of the comprehensive liability and compensation regime.

Outreach

23 IMO's public facing visibility showed marked gains. The twin stories of the adoption of the initial strategy for the reduction of greenhouse gas emissions from ships, and the coming January 1, 2020 requirement for ships to burn low sulphur fuel or install an exhaust gas scrubber garnered worldwide attention. IMO exposure in the global, mainstream media on other issues has become much more frequent. IMO engagement through social media is at an all-time high and continues to grow. The IMO Twitter feed for the Day of the Seafarer celebration on 25 June 2018 had millions of impressions worldwide. IMO's followers on Facebook, Twitter and Instagram continue to grow. Views and original content in the French and Spanish languages derived from the IMO multilingual website launched in May 2015 have also expanded, and original content in these languages is now being produced. The IMO Maritime Ambassador (IMOMA) Scheme now has 49 IMOMAs from Member States and NGOs in consultative status with the Organization. The IMOMA Scheme is the subject of a second comprehensive review by the Secretariat.

24 The annual World Maritime Day celebration and its associated parallel event, hosted by a volunteering Member State, continues to provide an excellent outreach opportunity to emphasise the theme chosen by the Council each year. In 2018, the parallel event was held in Poland and highlighted the theme of "IMO 70 – Our Heritage: Better Shipping for a Better Future." In addition, a new, staple function of the parallel event is its Ministerial Forum, allowing a high-level gathering of transport officials' from around the globe to focus specifically on the theme.

Technical Cooperation

25 The Organization continues to provide technical assistance to its Member States, particularly developing countries, to enhance the implementation of IMO instruments. Technical assistance is funded through both the TC Fund and extra-budgetary resources and is enhanced through the formal partnership agreements that the Organization has reached with many of its Member States and various international and regional organizations. One of the milestones in 2018 was the adoption by the 68th session of TCC of a long-term strategy for resource mobilization for IMO technical cooperation activities.

26 In 2018, 193 activities were delivered out of a total of 252 activities programmed, a delivery rate of 77%. This is slightly fewer activities delivered than in 2017, when 215 activities were delivered out of 258 programmed, for a delivery rate of 83%. However, an additional 27 activities were ongoing at the end of 2018, which, when added to those completed during the year, bring the total delivery to 220 out of 252, or 87%. Of the activities delivered in 2018, 13 were advisory and needs assessment missions, which is an increase from the 9 such activities delivered in 2017; while 123 were national and regional training courses, an increase from the 119 courses held in 2017. Other activities including model legislation, review and updating of training packages, meetings of heads of maritime administrations, conferences and other specific aspects of technical assistance remained generally consistent in 2018, with 84 such events delivered, as compared to 87 similar activities carried out during 2017.

27 IMO sponsored a total of 76 fellowships in the maritime field in 2018, 12 more than the 64 fellows recorded in 2017. This increase was due to funds becoming available from activities that were postponed or cancelled, which allowed IMO to provide five additional fellowships each to WMU and IMLI, making a total of 36 fellows who qualified through the two IMO global maritime training institutions. Additionally, approximately 3,198 persons worldwide were trained through attendance at national and regional training workshops and seminars, a small decrease from the 3,522 trained in 2017. A further 561 senior officials attended events in 2018 aimed at developing and harmonizing regional strategies on maritime technical issues, a small increase from the 551 recorded in 2017. This figure is in addition to the number of persons trained through the regular training courses listed above.

28 The wide range of technical assistance activities delivered by the Organization, underlines the important role that technical cooperation plays in the work of IMO to facilitate the implementation of its regulatory instruments.

STRATEGIC PLAN FOR 2018 – 2023

29 In 2017, the work on the development of a new Strategic Plan has been finalized with the adoption of the Strategic Plan for the six-year period 2018 to 2023 by the Assembly in December 2017 (A.1110(29)), including the first-ever Vision Statement for the Organization, 7 new focused Strategic Directions with corresponding performance indicators, as well overarching principles that should be taken into account in all of the Organization's work.

30 The vision of IMO for the period 2018 to 2023 is as follows:

- IMO will uphold its leadership role as the global regulator of shipping, promote greater recognition of the sector's importance and enable the advancement of shipping, while addressing the challenges of continuing developments in technology and world trade and the need to meet the 2030 Agenda for Sustainable Development.
- To achieve this, IMO will focus on the review, development and implementation of and compliance with IMO instruments in its pursuit to proactively identify, analyse and address

emerging issues and support Member States in their implementation of the 2030 Agenda for Sustainable Development.

31 As IMO continues to carry out its work, the following strategic directions set out the areas of particular focus for the period 2018 to 2023:

- SD 1: Improve implementation
- SD 2: Integrate new and advancing technologies in the regulatory framework
- SD 3: Respond to climate change
- SD 4: Engage in ocean governance
- SD 5: Enhance global facilitation and security of international trade
- SD 6: Ensure regulatory effectiveness
- SD 7: Ensure organizational effectiveness

FINANCIAL MANAGEMENT

Risk

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

33 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.

Governance

34 The Organization's governance is provided through the Assembly and the Council and 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.

Funding

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. IMO is in good financial health with adequate resources to meet its mandated activities.

Sustainability

36 In considering the Organization's financial sustainability, an evaluation of 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 recent known market volatility has been made, and a review was also made to determine whether there could be 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, a determination has been made to note that the Organization has adequate resources to continue to operate in the medium term. Overall, based on operating assumptions and known risks and mitigations, the Organization will continue as a "going concern" in the context of preparing IMO's financial statements.

37 The assertion above is supported by: i) the budget approved by the Assembly for the 2018-2019 biennium; ii) the scope and content of the Strategic Plan prepared for the period 2018-2023; iii) the net assets held at the end of the 2018 financial period; iv) the high level of collections of the assessed contribution of over 95% for the past 10 years; and v) the trend in donor support that has been sustaining IMO's mandate, including delivery of technical cooperation work, as determined by the Council and Assembly.

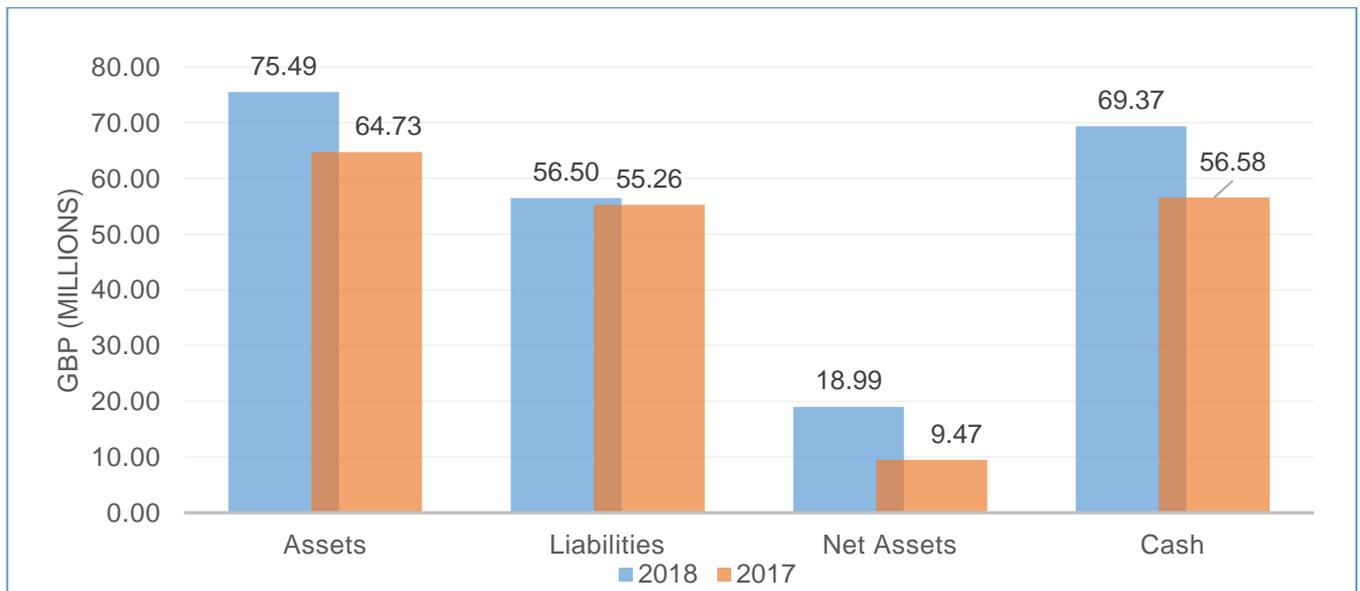
FINANCIAL AND BUDGET PERFORMANCE HIGHLIGHTS

Financial analysis

38 The closing net asset position presented in Statement I and in Chart 1 below amounted to £18,989,088 (2017: £9,472,704), which shows a healthy financial situation for the Organization as a whole, with an increase of £9,516,384 (2017: decrease of £6,465,552) from the opening balance on 1 January 2018. The net operating surplus of £7,424,904 and the actuarial gain of £2,091,480 accounted for the increase of £9,516,384.

39 The increase in cash and cash equivalents during 2018 reflects in part an increase in revenue in 2018, and an increase in the GBP value of the Organization's holdings of US dollars of some £333,303, 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 trust 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.

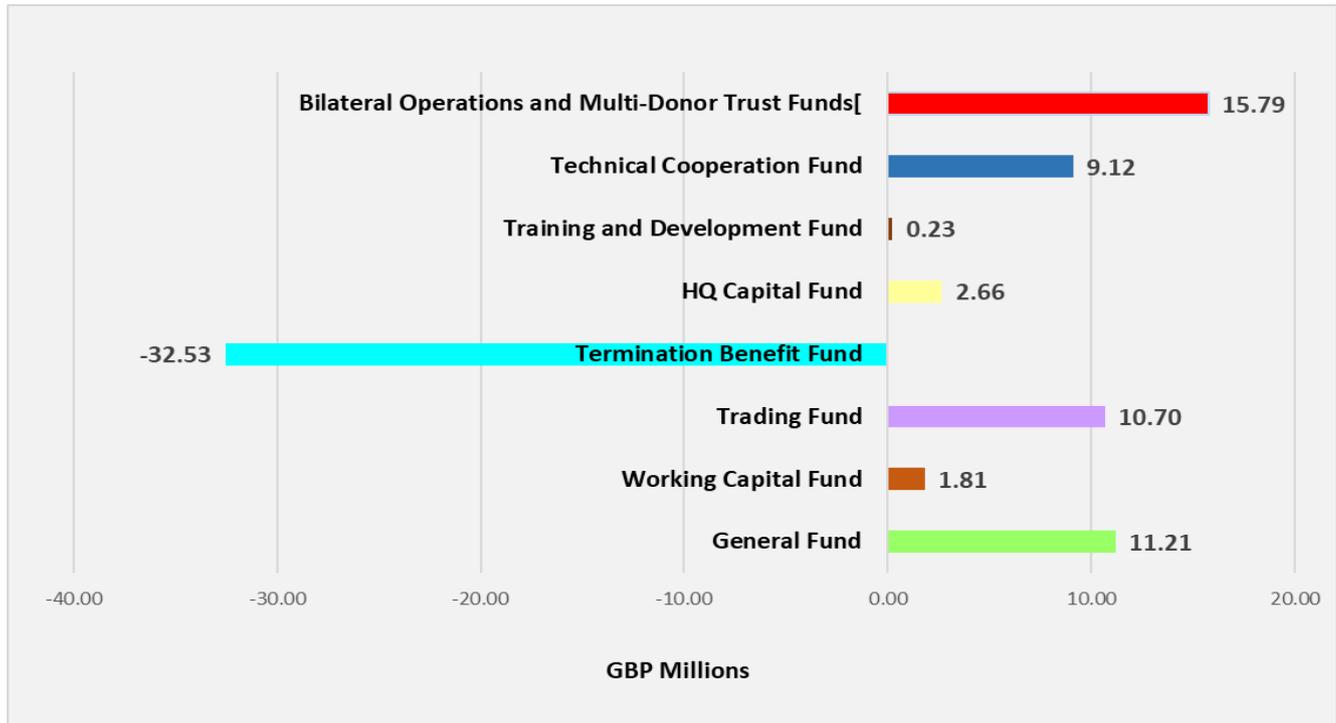
Net asset and cash position



40 Looking, again, at the closing net assets position, it should be noted that the reserves available to the Organization for future use are not without restrictions. Note 2.13 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 £18,989,088 (2016: £9,472,704) closing balance, £15,791,417 (2017: £10,918,726) relates to Multi-donor Trust Funds or the net position under bilateral agreements with individual donors, as shown in the below chart. 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.

41 It can also be seen from the chart below that 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.1112(30). The Termination Benefit Fund reflects the fact that the Organization's long-term After Service Health Insurance (ASHI) liability stands at £40,172,966 (2017: £40,303,417). 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 and £1,400,000 in 2017 as per resolution A.1112(30), the majority of these liabilities are presently unfunded and are reflected in the Termination Benefit Fund deficit as at 31 December 2018 of £32,530,195 (2017: £34,598,607). Further funding proposals will be considered by the Council during 2019.

Fund balances and reserves as at 31 December 2018



42 Inventories, reflecting our stock of publications held for re-sale has decreased by 5% to £1,057,844 when compared with prior year's balance of £1,118,521 due to the sales during the early part of 2018 of new editions of GMDSS Manual, STCW and Marpol (Consolidated Edition 2017), which were published and reported as inventory at the end of 2017.

43 There has been a decrease in other receivables as at 31 December 2018, to £1,819,907 (2017: £3,190,309). The decrease of £1,373,402 is largely due to collection of rent, cafeteria, taxes and travel recoverable invoices (£739,335), settlement of education grant and other staff advances (£244,385) and prepayments made by IMO to vendors (£389,682).

44 The total value of property, plant and equipment and intangible assets held by the Organizations as at 31 December 2018 decreased to £1,650,953 (2017: £2,120,191) and by £439,824 to £433,026 (2017: £872,850) respectively. The decrease during the year is the net effect of depreciation or amortization, transfer of assets under construction to beneficiaries, additions and disposals.

45 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 and have not been cleared 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). There has been an increase of £1,803,234 (32%) in payables relating to non-exchange transactions. A large part of this increase of £1,716,391 represents contributions received in advance from Member States and from the European Commission for the Global MTCC Network (GMN) project.

46 Liabilities relating to employee benefits are mainly for post-employment obligations to current staff and retirees for After Service Health Insurance (ASHI), repatriation benefits and accrued annual leave. These liabilities were subjected to actuarial valuation as at 31 December 2017, an exercise the Organization conducts every two years. However, an interim actuarial valuation of the ASHI liability was carried out as at 31 December 2018 to reflect the effect of the changes due to the current economic situation and the need to harmonise the actuarial assumptions with the wider UN Network¹.

47 The actuarial valuation resulted in a decrease in liabilities to £45,378,638 (2017: £45,998,294). The decrease was mainly attributable to the actuarial gains of £2,091,480 which was the result of the changes in assumptions applied in the actuarial valuation of the liability due to increase in the discount rate from 2.8% in 2017 to 3.0% in 2018. This is offset by the increase of £1,471,824 represents the net effect of service and interest costs incurred and benefits paid during the year. 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 as per resolution A.1112(30), in setting aside the £1,400,000 in addition to the £6,000,000 already transferred during 2016 by means of resolution A.1100(29).

48 The financial performance for 2018 reported a surplus of £7,424,904 (revenue minus expenses, including currency exchange loss) compared to a deficit of £3,266,759 in 2017. The increase is largely due to an increase in revenue of £8,195,868, from £49,663,557 in 2017 to £57,859,425 in 2018. Also, currency exchange gains of £1,128,278 in 2018, which is due to the strengthening of USD against the GBP currency, thereby increasing the GBP value of cash holdings in USD currency.

49 The total revenue for 2018 was £57,859,425, an increase of £8,195,868 from 2017 when the total was £49,663,557. Assessed contribution of £31,872,098 accounted for 55% of the total revenue followed by commercial activities at 28%, voluntary contributions from donors at 16% and other revenue at 1%.

50 Revenue from donor contribution are recognised on signature of donor agreement or when conditions are met where the agreement contains a condition. Therefore, the revenue fluctuates from year to year due to timing of new donor contribution and the disbursement of obligation for those agreement with a condition.

51 Revenue from commercial activities has increased by £2,265,279 to £15,599,121 (2017: £13,733,842). The increase is mainly due to the sales of new edition of GMDSS Manual (2017 Edition) and STCW (2017 Edition) which were released at the end of 2017.

52 Total operating expenses for 2018 amounted to £51,562,799 compared with £51,215,643 in 2017, an increase of £347,156 (0.7%). Staff and other personnel costs remain the most significant portion of the Organizations operating expenditure at 67.3%, followed by Supplies, consumables and other running costs at 11 % and training and development at 8%.

53 It should be noted that the financial performance of revenue and expenses reflected in Statement II (Statement of Financial Performance) is presented on an IPSAS accrual basis and thus is different in its measurement and accounting from the budgetary performance 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. For example, the budget is prepared to reflect the purchase of new property, plant and equipment rather than the depreciation charge over their useful life. Similarly, the budget approved by the assembly does not cover the extra-budgetary or donor funds while the financial statements cover the entirety of the Organization's financial position and performance. The

¹ United Nations General Assembly (A/73/662) Managing after-service health insurance

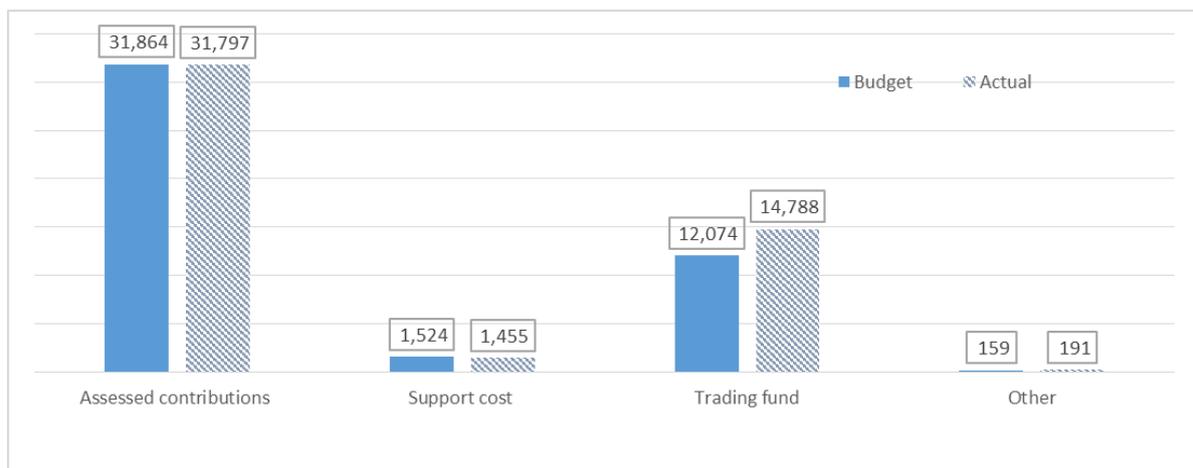
difference in amounts between the two statements is reconciled, in detail in Note 5 to the Financial Statements, to the cash flow statement (Statement IV). For instance, the assessed contribution (i.e., invoiced amounts of £31,872,098) for the year is recognized in full as revenue in Statement II, whereas only receipted amounts (£31,797,075) are shown as Actual in Statement Va. Likewise, while expense in Statement II includes £1,045,550 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 which instead includes the cost of purchased assets.

Budget performance

54 The 30th session of the Assembly held in December 2017 adopted resolution A.1112(30) on the Results-Based budget for the 2018-2019 biennium, in which it approved the budget for the financial periods 2018 and 2019 for the IMO’s core funds, including an appropriation for 2018 of £47,985,000 to be funded in part through projected income of £45,621,000.

55 The Organization’s major sources of budgeted income are shown in the chart below, which shows actual performance in 2018 compared to the final budget figure – donor and extra-budgetary contributions do not fall under the budgetary approval process and so are not included in these figures.

Budget income against actual Income by type (in £’000)



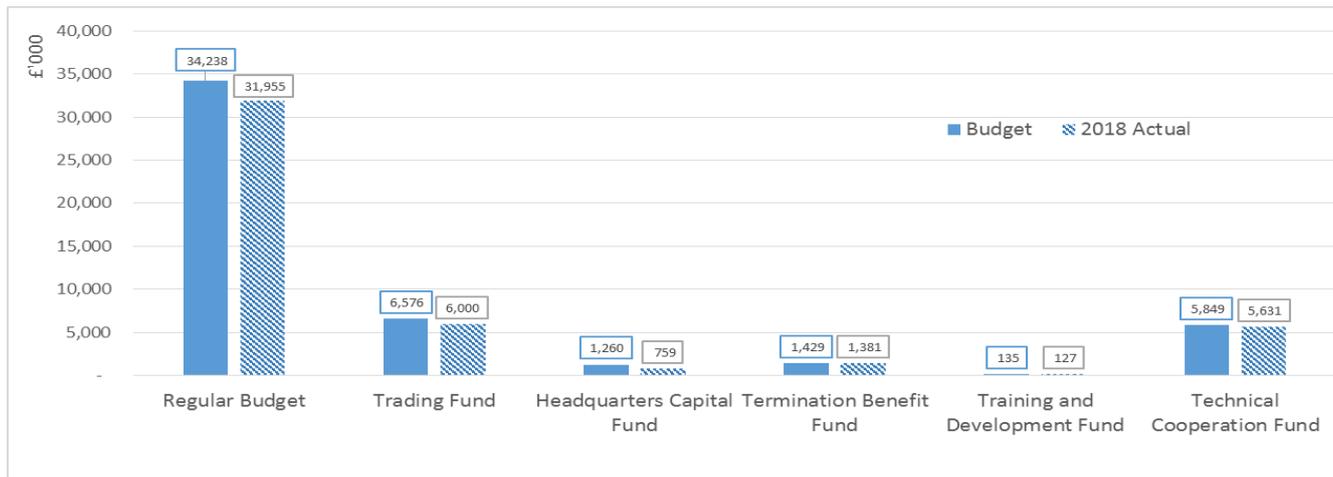
56 The Assessment contributions of £31,797,075 represents amounts received of £31,485,654 in relation to the 2018 assessment and £311,421 towards the settlement of arrears from prior years. For 2018 the total budgeted assessment was £31,864,000, therefore the amount received in 2018 of £31,485,654 represents a 98.81% collection rate with £378,346 remaining due at the end of the year. Overall the assessment income represents just under two thirds of the Organization’s income.

57 The Trading Fund income of £14,788,000 is the next largest income stream representing 30% of the Organization’s income. The sales performance exceeded the budget by £2.714m, as a result in particular of higher level of sales relating to new releases of major titles including the GMDSS Manual, STCW, MARPOL consolidated edition, IMDG Code and IMDG Code supplement.

58 There were no significant variances in the support costs and other income of the Organization.

59 The actual expenditure for each Fund against the final 2018 budget is shown in the chart below:

Budget expenditure against actual expenditure by Fund (in £'000)



60 The overall expenditure for 2018, as shown in Statement Va was £45,852,387. The key highlights are set out in the following paragraphs.

61 For the regular budget, the variance primarily related to staff costs. In submitting the Organization's budget proposals first to the Council and then to the Assembly the Secretary-General noted, in paragraphs 25 to 28 of document C/ES.29/5, referenced in paragraph 16 of document A 30/16(c), that there were significant uncertainties around the budgeting for staff costs for 2018, given the level of vacancies at the time those projections were made. The staff cost variances arose primarily as a result of differences between budgetary assumptions made on recruitment rates, in particular the level of internal recruitments made, and in particular the level of separations. In the latter case, the increase in mandatory retirement age from 62 to 65 effective 1 January 2018 had been expected to significantly reduce the level of departures during the biennium – however, in practice the level of departures was largely unchanged from previous years, with a number of senior staff leaving before their mandatory age of separation. The impact of this trend on both the staff cost expenditure levels and, consequently, the Termination Benefit Fund expenditures, was reported to the Council in documents C 120/6(e) and C 121/5(c), with the Council approving the necessary budget adjustments.

62 The remaining variance in the regular budget was spread across a variety of cost categories, including other personnel with lower levels of use of supernumerary staff, official mission travel, where the main driver was a lower level of Member State audits being completed under the IMSAS scheme as the scheme ramps up to full operation with follow-up audits; and efficiencies delivered on a range of General Operating Expenditure items.

63 The Trading Fund variance of £576,330 (8.7%) during 2018 is largely due to Staff Costs and Other Personnel where actual vacancy rates varied from budgetary assumptions with a number of separations taking place during the year. The remaining variance was attributable to the operating expenditure, primarily as purchases of inventory were lower than anticipated reflecting in part a continued shift towards Print on Demand (POD) of IMO publications.

64 In 2018, the Headquarters Capital Fund actual expenditure for the year was £759,474, representing 40% of the final budget for the year, while a further £395,659 (31%) of contractual commitments were in place for a major ICT hardware refresh, the budget associated with the latter being carried forward for delivery in January 2019 in accordance with Financial Regulations 4.3 and 4.4. The savings of £104,968 arose predominantly as a result of step back in implementing significant changes in the Organization's ERP system, SAP. During 2019, the Organization will be undertaking a review of

the long-term strategy for ERP at IMO, and consequently investment has only been made for essential compliance projects or where a quick return on investment is available.

65 The Training and Development Fund expenditure in 2018 totalled £126,535, representing budget utilisation of 94%, with a further £2,391 (2%) of commitments for transfer to 2019. The primary expenditure related to the ongoing management training programme for all staff with management responsibilities.

66 The final budget for technical cooperation (TC) activities financed from the Technical Cooperation Fund comprised the originally approved appropriation for 2018 of £5,150,000 and the budget brought forward from 2017 of £698,894 to finance some postponed activities. The TC expenditure for 2018 amounted to £5,630,803, accounting for 96% implementation. The relatively low variance of 4% is due to delays as a result of unforeseen events with the host countries or partners, thereby delaying implementation of the planned activities. In addition, funds were received through resource mobilisation efforts, and as a result, the need for TC funds to fund certain activities was reduced

LETTER OF TRANSMITTAL

Pursuant to the financial regulation 11.2, we have the honour to submit the financial statements for the year ended 31 December 2018 of the International Maritime Organization, certified and approved in accordance with financial regulation 11.1, along with the Statement on Internal Control for the financial period 2018, which does not form a part of the financial statements.

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries with other officials of the organization, the following representations in connection with your audit of the financial statements of the International Maritime Organization for the year ended 31 December 2018:

We are responsible for preparing financial statements that properly present the activities of the organization, and for making accurate representations to you. All of the accounting records and related information have been made available for the purposes of your audit, and all of transactions that occurred in the financial period have been, properly reflected in the financial statements and recorded by the organization in the accounting and other records.

- 1 The financial statements have been prepared and presented in accordance with:
 - a. The International Public Sector Accounting Standards;
 - b. The Financial Regulations and Financial Rules of the Organization; and
 - c. The accounting policies of the Organization, as summarized in note 1 to the financial statements.
- 2 The accounting policies used by the organization as stated in the financial statements are consistent with those of the previous year.
- 3 Within the meaning of IPSAS 35, IMO also controls WMU and IMLI for financial reporting purposes, the financial records of which are presented in the consolidated financial statements.
- 4 The value of cash, cash equivalents and investments recorded is not impaired and, in our opinion, is fairly stated.
- 5 All material accounts receivable have been included in financial statements and represent valid claims against debtors. Apart from the estimated uncollectable contributions receivable as presented in note 2.2, we expect all significant accounts receivable at 31 December 2018 to be collected.
- 6 The property, plant and equipment, the intangible assets and the inventories disclosed in notes 2.3, 2.7 and 2.8 to the financial statements, respectively, are owned by the organization and are free from any charge.
- 7 All known accounts payable and accruals have been included in the financial statements.
- 8 The commitments of the organization for the acquisition of goods and services, as well as the capital commitments contracted but not delivered as at 31 December 2018, have been disclosed in note 2.9 and note 7.1 to the financial statements. Commitments for future expenses have not been recognized as liabilities.
- 9 All known legal or contingent liabilities as at 31 December 2018 have been disclosed in note 7.2 to the financial statements.
- 10 All expenses reported during the period were incurred in accordance with the financial regulations and financial rules of the organization and any specific donor requirements.

- 11 All losses of cash or receivables, ex gratia payments, frauds and presumptive frauds, wherever incurred, were communicated to the External Auditors and reported in note 8.
- 12 Disclosure was made, in the financial statements, of all matters necessary to enable them to present fairly the results of transactions during the period.
- 13 There have been no events since the IMO reporting date of 31 December 2018 that necessitate revision of the information presented in the financial statements thereto.



Linda Ryan
Director, Administrative Division



Kitack Lim
Secretary-General

28 February 2019

STATEMENT ON INTERNAL CONTROL FOR THE YEAR ENDED 31 DECEMBER 2018

Scope of responsibility

1. As Secretary-General and Director of Administration Division of the International Maritime Organization (IMO), we are accountable, in accordance with the responsibilities assigned 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. The current statement on IMO's internal control processes, as described above, applies for the year ended 31 December 2018, and is up to the date of the approval of the Organization's 2018 financial statements.

Risk management and internal control

5. The Organization operates a Risk Management Framework, developed and approved by the Council, and is required to have 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 assessments of the effectiveness of the established system of internal control.

Review of effectiveness

6. The review of the effectiveness of the system of internal control is also informed by:
- 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 2018 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 behaviour and handle referrals of allegations of unethical behaviour 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 2018 there have been no significant issues to report 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, concludes that, to the best of our knowledge and information, the IMO Secretariat had an effective system of internal control for the year ended 31 December 2018, and up to the date of the approval of the financial statements for that year.



Linda Ryan
Director, Administrative Division



Kitack Lim
Secretary-General

REPORT OF THE EXTERNAL AUDITOR: OPINION ON THE ORGANIZATION'S FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

INDEPENDENT AUDITORS REPORT

**The Chairman
122nd Session of Council
International Maritime Organisation**

Report on the Financial Statements

We have audited the financial statements of the International Maritime Organisation (IMO) for the financial year ended 31 December 2018. The financial statements are made up of: a statement of financial position as at 31 December 2018 a statement of financial performance; a statement of changes in net assets; a statement of cash flow; a statement of comparison of budget and actual amounts for the year ended 31 December 2018; and notes to the financial statements.

Management responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

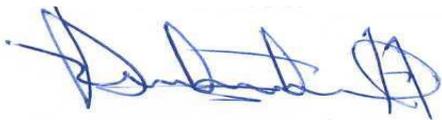
Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the International Maritime Organisation as at 31 December 2018, and its financial performance and cash flow for the period then ended in accordance with IPSAS.

Report on Other Legal and Regulatory Requirements

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

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



Daniel Yaw Domelevo
Auditor General of Ghana
External Auditor
Accra Ghana

May 2019

INTERNATIONAL MARITIME ORGANIZATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT I
STATEMENT OF FINANCIAL POSITION
as at 31 December 2018
(GBP)

	Note	IMO 2018	IMO 2017	Consolidated 2018	Consolidated 2017
ASSETS					
Current assets					
Cash and cash equivalents	2.1	69,370,863	56,576,398	87,524,931	70,512,213
Contributions receivable	2.2	433,226	325,009	444,541	338,311
Inventories	2.3	1,057,844	1,118,521	1,089,887	1,146,482
Advances to sub-contractors	2.4	728,021	530,386	728,021	530,386
Other receivables – exchange transactions	2.5	1,816,907	3,190,309	2,769,971	3,860,739
Other receivables – non-exchange transactions	2.5	-	-	19,117	16,564
Total current assets		73,406,861	61,740,623	92,576,468	76,404,695
Non-current assets					
Investment in bonds	2.6	-	-	2,177,057	886,500
Property, plant and equipment	2.7	1,650,953	2,120,191	1,897,987	2,424,342
Intangible assets	2.8	433,026	872,850	433,026	873,239
Total non-current assets		2,083,979	2,993,041	4,508,070	4,184,081
TOTAL ASSETS		75,490,840	64,733,664	97,084,538	80,588,776
LIABILITIES					
Current liabilities					
Payables and accruals – exchange transactions	2.9	3,076,638	3,139,799	3,756,674	3,114,592
Payables and accruals – non-exchange transactions	2.9	7,364,238	5,561,004	14,495,081	10,277,406
Provisions and warranties – exchange transactions	2.10	88,315	66,981	88,315	66,981
Employee benefits	2.11	194,564	63,076	218,230	119,737
Finance lease liabilities	2.12	145,820	115,469	145,820	115,469
Total current liabilities		10,869,575	8,946,329	18,704,120	13,694,185
Non-current liabilities					
Employee benefits	2.11	45,378,638	45,998,294	46,477,527	46,924,324
Finance lease liabilities	2.12	253,539	316,337	253,539	316,337
Total non-current liabilities		45,632,177	46,314,631	46,731,066	47,240,661
TOTAL LIABILITIES		56,501,752	55,260,960	65,435,186	60,934,846
NET ASSETS		18,989,088	9,472,704	31,649,352	19,653,930
Fund balances and reserves	2.13	11,564,184	12,739,463	21,608,602	23,284,861
Surplus/(Deficit) for the year		7,424,904	(3,266,759)	10,040,750	(3,630,931)
TOTAL FUND BALANCES AND RESERVES	2.13	18,989,088	9,472,704	31,649,352	19,653,930

The accompanying notes form an integral part of these financial statement

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 December 2018

REVENUE	Note	IMO		Consolidated	
		2018	2017	2018	2017
Assessed contributions	3.1	31,872,098	30,131,469	31,872,098	30,131,469
Donor voluntary contributions	3.2	9,521,425	5,561,729	14,547,662	10,604,548
Commercial activities	3.3	15,999,121	13,733,842	17,041,684	14,984,145
Fellowships	3.4	-	-	5,824,177	5,409,289
Other revenue	3.5	466,781	236,517	998,431	508,378
TOTAL REVENUE		57,859,425	49,663,557	70,284,052	61,637,829
EXPENSES					
Staff and other personnel costs	4.1	34,692,245	33,929,387	41,962,513	40,834,056
Travel expenses	4.2	1,881,793	2,061,830	2,555,866	2,609,118
Supplies, consumables and other running costs	4.3	5,725,389	6,998,548	6,817,936	8,030,260
Costs related to trading activities	4.4	1,864,961	1,802,465	1,873,634	1,810,979
Outsourced services	4.5	1,118,960	1,071,485	1,477,235	1,374,743
Training and development	4.6	4,085,733	3,285,853	5,500,134	5,249,797
Depreciation, amortization and impairment	4.8	1,045,550	941,218	1,287,420	1,123,914
Return of unspent funds	4.9	125,583	317,872	125,583	317,872
Other expenses	4.10	1,022,585	806,985	889,136	1,004,573
TOTAL EXPENSES		51,562,799	51,215,643	62,489,457	62,355,312
Currency exchange gains/(loss)	4.7	1,128,278	(1,714,673)	2,246,155	(2,913,448)
NET (DEFICIT)/SURPLUS FOR THE YEAR		7,424,904	(3,266,759)	10,040,750	(3,630,931)

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 2108
(GBP)
Accumulated Surpluses/Fund Balances

		IMO		Consolidated	
		2018	2017	2018	2017
Opening balance 1 January		9,472,704	15,938,256	19,653,930	25,863,481
Surplus/(deficit) for the year	6.2	7,424,904	(3,266,759)	10,040,750	(3,630,931)
Other movements on reserves					
Transfers		-	-	(42,765)	134,177
Actuarial gains/(loss) for the year	2.11	2,091,480	(3,198,793)	2,091,480	(3,198,793)
Exchange rate effect	10	-	-	(94,043)	485,996
Total movement for the year		9,516,384	(6,465,552)	11,995,422	(6,209,551)
TOTAL NET ASSETS		18,989,088	9,472,704	31,649,352	19,653,930

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 2018
(GBP)

	Note	IMO		Consolidated	
		2018	2017	2018	2017
Cash flow from operating activities:					
Surplus/(Deficit) for the period ¹		6,651,400	(2,757,069)	7,937,666	(1,786,089)
Interest earned	3.5	440,201	209,630	702,626	288,399
(Increase)/decrease in contributions receivable	2.2	(108,217)	(38,791)	(106,230)	(46,799)
(Increase)/decrease in inventories	2.3	60,677	(287,816)	56,595	(284,143)
(Increase)/decrease in advances to sub-contractors	2.4	(197,635)	398,036	(197,635)	398,036
(Increase)/decrease in other receivables	2.5	1,373,402	(776,465)	1,088,215	(419,408)
(Gain)/loss on disposal of investments		-	-	-	49
Depreciation of property, plant and equipment ²	2.7	514,099	490,760	641,829	678,984
(Gains)/loss on disposal of property, plant and equipment	2.7	(62,868)	927	(62,868)	927
Donation of Assets	2.7	135,302	-	135,302	-
Amortization of intangible assets ²	2.8	436,454	404,284	435,280	406,190
(Gains)/loss on disposal of intangible Assets	2.8	14,241	-	14,241	-
Increase/(decrease) in payables and accruals	2.9	1,740,073	(100,669)	4,859,757	(1,268,557)
Increase/(decrease) in payables and accruals	2.9	21,334	(3,285)	21,334	(3,285)
Increase/(decrease) in employee benefit	2.11	(488,168)	4,869,702	(348,304)	5,220,632
Net cash flows from operating activities		10,530,295	2,409,244	15,177,808	3,184,936
Cash flows from investing activities:					
Investment in term deposit and bonds		-	-	(1,290,557)	(886,500)
Purchases of property, plant and equipment ³	2.7	(180,391)	(604,626)	(251,305)	(760,258)
Purchases of intangible assets ³	2.8	(10,871)	(299,705)	(9,308)	(299,705)
Proceeds from sale of property, plant and equipment	2.7	63,096	-	63,397	869
Disposal of investment		-	-	-	(1,362)
Proceeds from sale of investments		-	-	-	1,313
Net cash flows from investing activities		(128,166)	(904,331)	(1,487,773)	(1,945,643)
Cash flows from financing activities:					
(Decrease)/Increase in finance lease liabilities	2.12	(32,447)	333,498	(32,447)	333,498
Net cash flows from financing activities		(32,447)	333,498	(32,447)	333,498
Other movements in net assets	2.13	2,091,480	(3,198,793)	2,048,715	(3,064,616)
(Loss)/gain on exchange on consolidation		-	-	(94,043)	485,996
Effect of exchange rate changes on cash and cash equivalents	4.7	333,303	(719,320)	1,400,458	(2,133,241)
Net increase/(decrease) in cash and cash equivalents		12,794,465	(2,079,702)	17,012,718	(3,139,070)
Cash and cash equivalents at beginning of the year	2.1	56,576,398	58,656,100	70,512,213	73,651,283
Cash and cash equivalents at end of the year	2.1	69,370,863	56,576,398	87,524,931	70,512,213

The accompanying notes form an integral part of these financial statements

1 IMO - surplus of £7,424,904 (2017: deficit of £3,266,759), excluding interest earned of £440,201 (2017: £209,630) and gain on exchange of cash and cash equivalents held of £333,303 (2017: loss of £719,320) and Consolidated Group – surplus of £10,040,750 (2017: surplus of £3,039,621), excluding interest earned of £702,626 (2017: £288,399) and gain on exchange of cash and cash equivalents held of £1,400,458 (2017: loss of £2,133,241).

2 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 2.7 and 2.8 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 2018
(GBP)

	Budget Amounts ²				Actual Amounts on Comparable Basis ²		Variances: Final Budget and Actual Amounts	
	Original 2018	Original 2017	Final 2018	Final 2017	2018	2017	2018	2017
Receipts³								
Assessed contributions	31,864,000	30,116,000	31,864,000	30,116,000	31,797,075	30,450,082	(66,925)	334,082
Support costs income	1,524,000	1,448,000	1,524,000	1,448,000	1,454,942	1,395,948	(69,058)	(52,052)
Trading income	12,074,000	12,020,000	12,074,000	12,020,000	14,787,736	12,860,596	2,713,736	840,596
Other income	159,000	150,000	159,000	150,000	191,310	125,699	32,310	(24,301)
Funds Transfer ⁴	910,000	879,900	1,480,000	1,237,724	1,480,000	1,237,724	-	-
Total receipts	46,531,000	44,613,900	47,101,000	44,971,724	49,711,063	46,070,049	2,610,063	1,098,325
Payments⁵								
Regular budget strategic results	34,141,000	33,154,000	34,238,495	33,197,819	31,954,638	31,352,891	2,283,857	1,844,928
Trading	6,576,000	6,067,000	6,576,000	6,070,936	5,999,670	5,617,264	576,330	453,672
Headquarters capital	1,144,000	990,000	1,260,101	1,241,360	759,474	886,699	500,627	354,661
Termination/separation	859,000	1,103,000	1,429,000	1,541,000	1,381,267	1,540,941	47,733	59
Training and development	115,000	117,000	134,975	117,923	126,535	91,088	8,440	26,835
Technical cooperation (TC Fund)	5,150,000	4,850,000	5,848,894	5,096,786	5,630,803	4,582,571	218,091	514,215
Total payments	47,985,000	46,281,000	49,487,465	47,265,824	45,852,387	44,071,454	3,635,078	3,194,370
Net	(1,454,000)	(1,667,100)	(2,386,465)	(2,294,100)	3,858,676	1,998,595	6,245,141	4,292,695

3 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.

4 Budget amounts are the modified accrual basis (IMO and IMLI) and the accrual basis (WMU) as approved by the respective governing bodies (IMO, WMU and IMLI) and the actual amounts are on the same basis as the budget amounts.

5 Funds Transfer in the Original Budget includes transfers of funds from the General Fund to the Headquarters Capital fund (£120,000) and Termination Benefits Fund (£790,000). The Final Budget for 2018 includes additional budget transfers for commitments made in prior years discharged in 2018 totalling £1,236,441 as detailed in Note 7.1. In addition, in accordance with the council's decision in its 120th session, the final budget figures for 2018 include supplementary funds for the Termination Benefit Fund of £570,000 funded by transfer from the regular budget.

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT Vb STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
Consolidated
for the year ended 31 December 2018
(GBP)

	Budget Amounts ²				Actual Amounts on Comparable Basis ²		Variances: Final Budget and Actual Amounts	
	Original 2018	Original 2017	Final 2018	Final 2017	2018	2017	2018	2017
Receipts								
Assessed contributions	31,864,000	30,116,000	31,864,000	30,116,000	31,797,075	30,450,082	(66,925)	334,082
Support costs income	1,524,000	1,448,000	1,524,000	1,448,000	1,454,942	1,395,948	(69,058)	(52,052)
Trading income	12,074,000	12,020,000	12,074,000	12,020,000	14,787,736	12,860,596	2,713,736	840,596
Other income	159,000	150,000	159,000	150,000	191,310	125,699	32,310	(24,301)
Funds Transfer	910,000	879,900	1,480,000	1,237,724	1,480,000	1,237,724	-	-
Education and research	15,057,854	13,298,581	12,805,054	13,169,781	12,486,680	12,574,650	(318,374)	(595,131)
Total receipts	61,588,854	57,912,481	59,906,054	58,141,505	62,197,743	58,644,699	2,291,689	503,194
Payments								
Regular budget strategic results	34,141,000	33,154,000	34,238,495	33,197,819	31,954,638	31,352,891	2,283,857	1,844,928
Trading	6,576,000	6,067,000	6,576,000	6,070,936	5,999,670	5,617,264	576,330	453,672
Headquarters capital	1,144,000	990,000	1,260,101	1,241,360	759,474	886,699	500,627	354,661
Termination/separation	859,000	1,103,000	1,429,000	1,541,000	1,381,267	1,540,941	47,733	59
Training and development	115,000	117,000	134,975	117,923	126,535	91,088	8,440	26,835
Technical cooperation (TC Fund)	5,150,000	4,850,000	5,848,894	5,096,786	5,630,803	4,582,571	218,091	514,215
Education and research	12,650,507	12,162,242	12,466,207	12,493,142	11,741,441	11,753,163	724,766	739,979
Total payments	60,635,507	58,443,242	61,953,672	59,758,966	57,593,828	55,824,617	4,359,844	3,934,349
Net	953,347	(530,761)	(2,047,618)	(1,617,461)	4,603,915	2,820,082	6,651,533	4,437,543

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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 35 – "Consolidated 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 35, 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;
- the requirement for changes to the Charter and Statute to be approved by IMO organs; and
- In the event of dissolution of IMLI, the funds and assets remaining shall be used as directed by IMO Council.

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 2.13, 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 of 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 of 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 (the UNJSPF or the Fund), 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. The Agency and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify the Agency'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, the Agency has treated this plan as if it were a defined contribution plan

in line with the requirements of IPSAS 39 Employee Benefits. The Agency'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 yet separated 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 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 the regular budget and the budgets of the Trading Fund, the Headquarters Capital Fund, the Training and Development Fund, the Termination Benefit Fund and the Technical Cooperation Fund. These budgets 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

Cash and Cash Equivalents	IMO		Consolidated	
	2018	2017	2018	2017
Bank and cash on hand	25,595,355	14,234,755	40,854,027	26,264,942
Short-term deposits	43,772,453	42,338,591	46,662,053	44,240,462
Other cash and cash equivalents	3,055	3,052	8,851	6,809
Total Cash and Cash Equivalents	69,370,863	56,576,398	87,524,931	70,512,213

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 IMO Treasury Committee, comprising senior administrative and financial staff, along with an external expert financial adviser. The Committee meets on a regular basis 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 breakdown of the value of IMO's short-term deposit placements at 31 December 2018 by currency of investment and maturity date:

Maturity	IMO		Total GBP
	GBP	USD	
March	10,004,729	13,907,591	21,005,655
June	10,295,274	-	10,295,274
December	12,471,524		12,471,524
Total short-term deposits	32,771,527	13,907,591	43,772,453

53 There was no impairment of short-term deposits as at 31 December 2018. The investment made by WMU and reported in the consolidated figure for other cash and cash equivalents as at 31 December 2017 has matured on 15 June 2018 and is no longer included in the consolidated figure for other cash and cash equivalents reported as at 31 December 2018.

54 Other than the increase in the surplus, the increase in cash when compared to 2017 is largely due increases in publication sales due to release of new edition

Note 2.2: Contributions Receivable

	IMO		Consolidated	
	2018	2017	2018	2017
Composition:				
Member States assessments	355,655	90,551	355,655	90,551
Donor voluntary contributions	77,571	234,458	88,886	247,760
Total Contributions Receivable	433,226	325,009	444,541	338,311

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

	IMO		Consolidated	
	2018	2017	2018	2017
Member States assessments due	1,146,663	1,075,918	1,146,663	1,075,918
Total Contributions Receivable before allowance	1,146,663	1,075,918	1,146,663	1,075,918
Fair value adjustments	(435,944)	(630,303)	(435,944)	(630,303)
Allowance for doubtful accounts	(355,064)	(355,064)	(355,064)	(355,064)
Net Contributions Receivable	355,655	90,551	355,655	90,551

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

	IMO				Consolidated			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Year of assessment:								
2018	381,507	33			381,507	33		
2017	57,258	5	149,080	14	57,258	5	149,080	14
2016	43,377	4	71,935	7	43,377	4	71,935	7
2015 and earlier	664,521	58	854,903	79	664,521	58	854,903	79
Nominal value of assessments receivable	1,146,663	100	1,075,918	100	1,146,663	100	1,075,918	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 2018 are as follows:

	Opening Balance 1.1.2018	Increase/ (Decrease) GBP	Closing Balance 31.12.2018
Fair value adjustment for Member States' arrears - IMO	630,303	(194,359)	435,944
Fair value adjustment for Member States' arrears – Consolidated	630,303	(194,359)	435,944
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 2018 there were a total of 43 Member States with outstanding balances. Of these, 29 had current year and prior year balances only. The remaining 14 had arrears prior to 2017. One Member State had an agreed payment plan in place for outstanding arrears as at 31 December 2018. 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 2017 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 43 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 2018 are discounted based on likely timings of such future cash flows. A review of amounts due as at 31 December 2018 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	
	2018	2017	2018	2017
IMO publications	1,035,184	1,092,391	1,035,184	1,092,391
Model courses	22,660	26,130	22,660	26,130
Public relations articles		-	32,043	27,961
Total Inventories	1,057,844	1,118,521	1,089,887	1,146,482

Inventories reconciliation - IMO	2018	2017
Opening inventories	1,118,521	830,705
Purchases	898,266	1,212,898
Total inventories available for sale	2,016,787	2,043,603
Cost of sales	(923,562)	(853,864)
Cost of free distributions	(13,975)	(30,115)
Adjustments - physical count	1,157	4,144
Write-off of publications	-	(2,050)
Impairment loss of publications	(22,563)	(43,197)
Total inventories	1,057,844	1,118,521

	Opening Balance 01.01.18	Utilization	increase	Closing Balance 31.12.18
Allowance for impairment - obsolete books	43,197	(43,197)	22,563	22,563
Total allowance	43,197	(43,197)	22,563	22,563

64 A periodic review indicated that there is no requirement for an impairment allowance 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 2018 held at distributor premises amounts to £7,025 compared £84,709 (2017) and £40,788 (2016). The stock held comprised IMO Publications only.

68 As at 31 December 2018, WMU held inventory of public relations articles valued at £32,043 (2017: £27,961).

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	
	2018	2017
UNDP SCA	411,609	203,452
REMPEITIC-CARIB	82,631	79,742
DIRECTEMAR	63,235	58,504
SPREP	46,428	30,586
PNA	39,977	1,144
SPC	25,343	20,509
COCATRAM	22,862	113,166
Other	35,936	23,283
Total advances to sub-contractors	728,021	530,386

Note 2.5: Other Receivables

	IMO		Consolidated	
	2018	2017	2018	2017
Relating to exchange transactions				
Advances to staff	730,287	974,672	755,592	1,009,010
Taxes recoverable	592,351	853,921	618,398	920,191
Advances to vendors	175,535	565,217	517,070	593,785
Fellowships	-	-	64,504	127,180
Miscellaneous	318,734	796,499	814,407	1,210,573
	1,816,907	3,190,309	2,769,971	3,860,739
Relating to non-exchange transactions				
Taxes recoverable	-	-	19,117	15,794
Other	-	-	-	770
				16,564
Total Other Receivables	1,816,907	3,190,309	2,789,088	3,877,303

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:

Advances to staff	IMO		Consolidated	
	2018	2017	2018	2017
Education Grant advance	399,767	716,936	417,978	716,936
Home leave prepayment	86,815	99,734	90,176	99,734
Season ticket loan	46,822	45,500	46,822	45,500
Others	196,883	112,502	200,616	146,840
Total	730,287	974,672	755,592	1,009,010

- 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), cafeteria functions recoverable and travel recoverable from sponsors

Note 2.6: Investment in Bonds

78 The consolidated figure for investment in bonds as at 31 December 2018 represents the €1,000,000 contributed to the Endowment Fund of the World Maritime University, which was invested through Nordea Bank consistent with the long-term objective of growing capital base of the fund and with the article 13, paragraph 3 of the Interim Statute of the Endowment Fund. The investment was placed in June 2017 by Nordea Bank in low risk assets, i.e. fixed income investment in a portfolio consisting of corporate and hybrid bonds with six counterparties (four counterparties at €200,000 and two counterparties at €100,000). The investment in bonds are with maturity dates ranging from 6 April 2020 to 15 January 2027 and with the yield ranged from 0.40% to 3.31% per annum. The value of the €1,000,000 amounted to SEK 10,296,000 as at 31 December 2018 (2017: SEK 9,850,000) and £906,048 as at 31 December 2018 (2017: £886,500) as presented in Statement I.

79 Furthermore, IMLI initiated a new long-term investment on the recommendation of the External Auditors in their report for the year 2016. Following approval from the Financial and Human Resources Committee (Fincom) in December 2017, IMLI allocated an amount of €1.5 million on 1 January 2018 to an investment fund that is managed by the Asset Management arm of the Bank of Valletta (BOV), a Maltese bank. The BOV subsidiary created a bespoke portfolio fund for IMLI in line with its investment parameters. The investment is expected to be held for a period of five years (the investment may be terminated by IMLI at any time but subject to IMLI giving the BOV notice of a 30 day calendar period). The initial investment of the fund was of €1,500,000. During the year the amount of €24,195 in interest and dividends earned were reinvested into the fund thus increasing the investment to €1,524,195. At the end of December 2018, the market value of the fund stood at €1,407,541, resulting in an impairment in value of €116,654. The value of investment amounted to £1,271,009 as at 31 December 2018.

Note 2.7: Property, Plant and Equipment

	Asset category – IMO							
	Assets Under Construction	Communication & IT equipment	Conference equipment	Vehicles	Furniture & fixtures	Leased equipment	Miscellaneous	Total
Cost								
Opening Balance 01.01.2018	135,302	2,470,152	1,588,413	122,637	607,505	695,713	72,087	5,691,809
Additions	-	67,941	9,803	-	2,387	85,214	15,046	180,391
Transfers	(135,302)	-	-	-	-	-	-	(135,302)
Disposals	-	(159,599)	-	-	(285)	-	(4,542)	(164,426)
Closing Balance 31.12.2018	-	2,378,494	1,598,216	122,637	609,607	780,927	82,591	5,572,472
Accumulated Depreciation								
Opening Balance 01.01.2018	-	(2,294,334)	(384,512)	(100,261)	(578,225)	(160,865)	(53,421)	(3,571,618)
Disposals	-	159,599	-	-	57	-	4,542	164,198
Depreciation charge for the year	-	(119,526)	(227,162)	(9,789)	(10,032)	(138,608)	(8,982)	(514,099)
Closing Balance 31.12.2018	-	(2,254,261)	(611,674)	(110,050)	(588,200)	(299,473)	(57,861)	(3,921,519)
Net Book Value								
Adjusted Opening Balance 01.01.2018	135,302	175,818	1,203,901	22,376	29,280	534,848	18,666	2,120,191
Closing Balance 31.12.2018	-	124,233	986,542	12,587	21,407	481,454	24,730	1,650,953

80 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.

81 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 2.12.2.

82 Assets are reviewed annually to determine if there is any impairment in their value. During 2018, ninety-eight items of obsolete property, plant and equipment were disposed of, as detailed in the table below:

Description	Number of Items	Purchase Value (GBP)
Wi-Fi Equipment	65	127,725
IT and other Equipment – REMPEC	28	30,975
Lifting Equipment	1	3,767
Ipads - Apple	3	1,674
Medical Chair	1	285
Total	98	164,426

83 The Assets under Construction with a total value of £135,302 were completed during the reporting period and were transferred to the final beneficiaries. This consisted of assets in the field: Marine Simulator Training Room at the Djibouti Regional Training Centre of £112,549 and Search and Rescue (SAR) equipment in the Republic of the Congo, which is developed as part of an ongoing programme to support the region of £22,753.

Asset category – Consolidated

Cost	Assets Under Construction	Communication & IT equipment	Conference equipment	Vehicles	Furniture & fixtures	Leased equipment	Miscellaneous	Total
Opening Balance 01.01.2018	135,302	3,256,617	1,588,413	250,584	897,201	695,715	247,472	7,071,304
Additions	-	123,225	9,803	-	25,459	85,212	25,184	268,883
Disposals	-	(184,143)	-	-	(285)	-	(4,542)	(188,970)
Transfers	(135,302)	-	-	-	-	-	-	(135,302)
Exchange Rate Movement Differences	-	(13,808)	-	(83)	(4,135)	-	448	(17,578)
Closing Balance 31.12.2018	-	3,181,891	1,598,216	250,501	918,240	780,927	268,562	6,998,337
Accumulated Depreciation								
Opening Balance 01.01.2018	-	(3,003,576)	(384,512)	(212,279)	(709,193)	(160,866)	(176,536)	(4,646,962)
Adjustments	-	-	-	(537)	109	-	17	(411)
Disposals	-	183,842	-	-	57	-	4,542	188,441
Depreciation charge for the year	-	(175,844)	(227,162)	(18,314)	(60,834)	(138,607)	(31,478)	(652,239)
Exchange Rate Movement Differences	-	12,228	-	(92)	23	-	(1,338)	10,821
Closing Balance 31.12.2018	-	(2,983,350)	(611,674)	(231,222)	(769,838)	(299,473)	(204,793)	(5,100,350)
Net Book Value								
Opening Balance 01.01.2018	135,302	253,041	1,203,901	38,305	188,008	534,849	70,936	2,424,342
Closing Balance 31.12.2018	-	198,541	986,542	19,279	148,402	481,454	63,769	1,897,987

84 The total value reported under "Miscellaneous" as at 31 December 2018 includes the reference library of £13,286 (2017: £13,533) held by IMLI, with additional reference texts being capitalized and depreciated over a period of three years.

85 This note includes the effect of the revaluation of the property, plant and equipment held by WMU and IMLI with a net impact of £6,757 (2017: £2,003) resulting from the change in value of the Swedish Krona and Euro respectively from 1 January to 31 December 2018. Opening balances are presented at the exchange rate applicable on 1 January 2018 and closing balances at the rate applicable on 31 December 2018, 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.

86 The City of Malmö provides leasing free of rent and maintenance for the WMU teaching and administration building. In kind contributions of services are not recognized in WMU's financial statements. The buildings used by IMLI are not included as the Institute has the bare use of the premises. The University of Malta and the Government of Malta have made the building available for use by the Institute for 15 years under the terms of an agreement dated 26 May 1988. The Government of Malta has since extended the period for a further 25 years and it reimburses the repair and maintenance costs up to approximately £7,974 (2017: £7,875)

Note 2.8: Intangible Assets**Asset Category -IMO**

	Assets Under Construction	Externally purchased software	Total
Cost			
Opening Balance 01.01.2018	14,241	3,497,411	3,511,652
Additions	-	10,871	10,871
Transfers	(14,241)	-	(14,241)
Closing Balance 31.12.2018	-	3,508,282	3,508,282
Accumulated Amortization			
Opening Balance 01.01.2018	-	(2,638,802)	(2,638,802)
Amortization charge for the year	-	(436,454)	(436,454)
Closing Balance 31.12.2018	-	(3,075,256)	(3,075,256)
Net Book Value			
Opening Balance 01.01.2018	14,241	858,609	872,850
Closing Balance 31.12.2018	-	433,026	433,026

87 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.

88 The Assets under Construction in respect of the project - Shire Maintenance Management software, in 2017 to replace the old software was discontinued during the reporting period.

Asset Category –Consolidated

	Assets Under Construction	Externally purchased software	Total Group
Cost			
Opening Balance 01.01.2018	14,241	3,567,760	3,582,001
Additions	-	10,871	10,871
Transfers	(14,241)	-	(14,241)
Movements as a result of exchange rate difference	-	(1,563)	(1,563)
Closing Balance 31.12.2018	-	3,577,068	3,577,068
Accumulated Amortization			
Opening Balance 01.01.2018	-	(2,708,762)	(2,708,762)
Amortization charge for the year	-	(436,826)	(436,826)
Movements as a result of exchange rate difference	-	1,546	1,546
Closing Balance 31.12.2018	-	(3,144,042)	(3,144,042)
Net Book Value			
Opening Balance 01.01.2018	14,241	858,998	873,239
Closing Balance 31.12.2018	-	433,026	433,026

89 This note includes the effect of the revaluation of the Intangible Assets held by WMU with a net impact of £17 (2017: £21) resulting from the change in value of the Swedish Krona from 1 January to 31 December 2018. Opening balances are presented at the exchange rate applicable on 1 January 2018 and closing balances at the rate applicable on 31 December 2018, while depreciation charges and additions for the year are shown at the average rate of exchange, consistent with Statement I and Statement II, respectively.

90 Neither IMO nor the consolidated group has made any disposals of externally purchased software during 2018

Note 2.9: Payables and Accruals

	IMO		Consolidated	
	2018	2017	2018	2017
Relating to exchange transactions				
Accruals	1,318,793	1,939,039	1,391,115	1,603,053
Payable to vendors	1,215,637	671,106	1,361,692	756,076
Advances from customers	400,915	456,241	400,915	456,211
Payable to staff	109,653	43,693	109,653	43,693
Fellowships	-	-	461,015	225,206
Deferred revenue	31,640	29,720	31,640	29,720
Other	-	-	644	633
	3,076,638	3,139,799	3,756,674	3,114,592
Relating to non-exchange transactions				
Fellowships	-	-	3,960,922	3,446,130
Condition on donor contributions	5,693,260	4,483,469	5,693,260	4,483,469
Advance contributions	709,530	202,930	3,340,583	1,174,255
Contributions Incentive Scheme	105,403	103,500	105,403	103,500
Deferred revenue	533,732	458,140	533,732	458,140
Funds held in trust	226,833	223,280	566,402	223,280
Payable to donors	95,480	89,685	226,833	321,381
Other	-	-	67,946	67,251
	7,364,238	5,561,004	14,495,081	10,277,406
Total Payables and Accruals	10,440,876	8,700,803	18,251,755	13,391,998

91 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.

92 Payables to vendors relate to amounts due for goods and services for which invoices have been received. The increase in vendor payable is attributable to goods and services delivered in 2018 and for which invoices have been received but paid the following year.

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

94 Fellowships and donations received and accrued for the academic year 2018/2019 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 2019 are disclosed as advance receipts.

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

96 Funds held in trust are contributions made to third party organizations through IMO for administrative purposes only. The Organization has no control over the application of those funds.

97 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 breakdown of the total value of the condition on donor contributions, as at 31 December, 2018, is shown below

Condition on donor contributions	IMO		Consolidated	
	2018	2017	2018	2017
European Commission – Capacity Building for Climate Mitigation in the Maritime Shipping Industry	5,680,377	4,470,804	5,680,377	4,470,804
European Commission – Mediterranean Decision Support System for Marine Safety (MEDESS-4MS)	12,883	12,665	12,883	12,665
Total	5,693,260	4,483,469	5,693,260	4,483,469

98 Advance contributions reflect balances received from Member States during 2018 towards the 2018 assessed contributions.

99 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 2018 totalled £105,403 of which £62,818 relates to CIS earned during 2018, to be distributed during 2020. A residual balance for prior years amounting to £42,585 remains awaiting instruction from one Member State.

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

Note 2.10: Provisions and Warranties

	IMO		Consolidated	
	2018	2017	2018	2017
Publication sales warranties	88,315	66,981	88,315	66,981
Total provisions and warranties	88,315	66,981	88,315	66,981

	Opening Balance 01.01.18	Utilization	Increase	Closing Balance 31.12.18
IMO Publications	64,897	(109,837)	131,312	86,372
Model Courses	2,084	(634)	493	1,943
Total allowance	66,981	(110,471)	131,805	88,315

101 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 based on the level of sales in the year and past experience of return levels.

Note 2.11: Employee Benefits

IMO	Actuarial Valuation	2018	Total	2017
		IMO Estimates		Total
Short-term employee benefits		88,352	88,352	63,076
Post-employment benefits	43,165,491		43,165,491	43,708,831
Other long-term employee benefits	2,213,147		2,213,147	2,289,463
Termination benefits		106,212	106,212	-
Total Employee Benefits Liabilities	45,378,638	194,564	45,573,202	46,061,370

IMO	Short Term Employee Benefits	Post-Employment Benefits	2018	Termination Benefits	Total	2017
			Other Long-Term Employee Benefits			Total
Current	88,352			106,212	194,564	63,076
Non-current		43,165,491	2,213,147		45,378,638	45,998,294
Total Employee Benefits Liabilities	88,352	43,165,491	2,213,147	106,212	45,573,202	46,061,370

Consolidated	Actuarial Valuation	2018	Total	2017
		Group Estimates		Total
Short-term employee benefits	-	112,018	112,018	119,737
Post-employment benefits	43,950,523	-	43,950,523	44,634,861
Other long-term employee benefits	2,527,004	-	2,527,004	2,289,463
Termination benefits	-	106,212	106,212	
Total Employee Benefits Liabilities	46,477,527	218,230	46,695,757	47,044,061

Consolidated	2018 Consolidated				Total	2017 Total
	Short Term Employee Benefits	Post-Employment Benefits	Other Long-Term Employee Benefits	Termination Benefits		
Current	112,018			106,212	218,230	119,737
Non-current		43,950,523	2,527,004		46,477,527	46,924,324
Total Employee Benefits Liabilities	112,018	43,950,523	2,527,004	106,212	46,695,757	47,044,061

102 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.

2.11.1: Valuation of Employee Benefits Liabilities

103 Employee benefits liabilities are determined by professional actuaries or calculated by IMO based on personnel data and past payment experience. At 31 December 2018, total employee benefits liabilities amounted to £45,573,202 (2017: £46,061,370), of which £45,378,638 (2017: £45,998,294) was calculated by the actuaries and £194,564 (2017: £63,076) was calculated by IMO. Actuarial valuations are typically undertaken every two years, the last full valuation was undertaken as at 31 December 2017. However, in 2018, an actuarial valuation on ASHI liability was prepared to reflect the effect of the changes due to the current economic situation and the need to harmonise the actuarial assumptions with the wider UN Network⁶.

2.11.2: Short-Term Employee Benefits

104 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.

105 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

⁶ United Nations General Assembly (A/73/662) Managing after-service health insurance

2.11.3: Post-Employment Benefits

106 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.

107 Arrangements relating to the UNJSPF are set out in Note 2.11.7.

108 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.

109 Repatriation benefits consist of a repatriation grant lump sum, travel of the staff member and eligible dependants and shipment of their personal effects. As of 1 July 2017, the repatriation benefit relating to shipment of personal effects may be taken as a lump sum payment. The Organization pays the amounts due for repatriation grant, travel and relocation expenses for the entitled staff members.

110 The liabilities include the current service costs and the interest costs for 2018, less benefit payments made and, where applicable, plan participants' contributions.

2.11.4: Other Long-Term Employee Benefits

111 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.

112 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.

2.11.5: Termination Employee Benefits

113 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.

114 As at 31 December 2018, there is a formal plan in place for the separation of two staff members to be undertaken during 2019 (one by January 2019), with termination indemnity payments to be made in accordance with IMO's established Staff Regulations and Staff Rules. While no payment has been made up to 31 December 2018 for the two staff members, a termination benefit liability of £106,212 exists at year end in accordance with IPSAS 39.

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

115 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 typically undertaken every two years

2.11.6.1: Actuarial Assumptions and Methods

116 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 2018 valuation, the assumptions used are as described in the table below.

117 Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 39. In addition, each actuarial assumption is required to be disclosed in absolute terms.

118 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 2018, based on the expenditure projections for the reporting period

General		
	31 December 2018	31 December 2017
Discount rate	3.0% pa	2.8% pa
General inflation	2.0% pa	2.0% pa
Mortality	90% of S2PA tables	90% of S2PA tables
Mortality improvements	CMI_2017 projections with a long-term improvement rate of 1.25% pa	CMI_2016 projections with a long-term improvement rate of 1.25% pa
Withdrawal rates	3.25% pa fixed for all ages	3.25% pa fixed for all ages
Retirement	All members retire at their Normal Retirement Age	All members retire at their Normal Retirement Age
Assumptions used to value ASHI benefits		
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 spouse at retirement. Males are assumed to be three years older than their spouse.	
Healthcare trend increases	4% pa fixed as of 31 December 2018	4% pa fixed as of 31 December 2017
Ageing increases	3.5% pa for those under 65, 2.5% pa 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 subject to completing five years' service.	
Age-related salary scale	General inflation plus an age related scale of 6.1% pa at age 20 reducing on a straight line basis to 1.0% pa at age 60 for professional staff, and from 3.9% pa at 20 to 1.0% pa at age 65 for general staff.	General inflation plus an age related scale of 6.1% pa at age 20 reducing on a straight line basis to 1.0% pa at age 60 for professional staff, and from 3.9% pa at 20 to 1.0% pa at age 65 for general staff.
Repatriation travel costs	Assumed to be £7,000 and to increase in line with general inflation.	Assumed to be £7,000 and to increase in line with general inflation.
Assumptions used to value annual leave plan		
Participation	All eligible employees will receive the benefit on separation from service.	
Age-related salary scale	As for repatriation benefit.	
Increases in annual leave balance	Based on completed service – 10.9% pa in years 1 to 3, 1.0% pa for years 4 to 8 of service and 0.5% pa thereafter.	Based on completed service – 10.9% pa in years 1 to 3, 1.0% pa for years 4 to 8 of service and 0.5% pa thereafter.

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

2.11.6.2: Reconciliation of Defined Benefit Obligation

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
Defined Benefit Obligation as at 01.01.2018	40,303,417	3,405,414	2,289,463	45,998,294
Service cost for 2018	1,724,624		143,130	1,867,754
Interest cost for 2018	1,117,821			1,117,821
Actuarial loss/(gain)	(2,091,480)			(2,091,480)
Actual gross benefit payments for 2018	(881,416)	(412,889)	(219,446)	(1,513,751)
Defined Benefit Obligation as at 31/12/2018	40,172,966	2,992,525	2,213,147	45,378,638

2.11.6.3: Annual Expense and Changes in Net Assets for Calendar Year 2018

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
Service cost	1,724,624		143,130	1,867,754
Interest cost	1,117,821			1,117,821
Actuarial loss/(gain)	(2,091,480)			(2,091,480)
Total Expense recognized in 2018	750,965	-	143,130	894,095

120 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" in the Statement of Financial Performance. The net actuarial gain for 2018 of £2,091,480 (2017: actuarial loss of £3,198,793) was the result of the changes in assumptions applied in the actuarial valuation of the liability due to increase in the discount rate from 2.8% in 2017 to 3.0% in 2018.

121 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.

2.11.6.4: Summary of Prior Year Amounts

122 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 2018.

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
Actuarial Losses/(Gains) as at 01.01.2018	11,602,315	(130,247)	1,583,290	13,055,358
Actuarial Losses/(Gains) in 2018	(2,091,480)			(2,091,480)
Actuarial Losses/(Gains) as at 31.12.2018	9,510,835	(130,247)	1,583,290	10,963,878

123 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.

	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
IMO					
	GBP				
ASHI					
Present Value of Defined Benefit Obligation	40,172,966	40,303,417	35,507,753	29,302,323	30,633,564
Experience loss / (gains) on Scheme Liabilities	-	1,701,085	-	(5,217,624)	-
(Gain)/Loss on changes in assumptions used to value Scheme liabilities	(2,091,480)	1,302,853	4,575,862	2,088,192	-
IMO	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
	GBP				
Repatriation					
Present Value of Defined Benefit Obligation	2,992,525	3,405,414	3,373,944	3,033,973	2,615,211
Experience loss on Scheme Liabilities	-	139,894	-	425,585	-
(Gain)/loss on changes in assumptions used to value Scheme liabilities	-	(192,881)	243,836	(27,974)	-
IMO	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
	GBP				
Annual Leave					
Present Value of Defined Benefit Obligation	2,213,147	2,289,463	2,212,800	2,153,069	1,364,362
Experience loss on Scheme Liabilities	-	436,460	-	991,945	-
(Gain)/loss on changes in assumptions used to value Scheme liabilities	-	(188,618)	184,807	1,322	-
IMO	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
	GBP				
Total					
Present Value of Defined Benefit Obligation	45,378,638	45,998,295	41,094,497	34,489,366	34,613,137
Experience loss/(gains) on Scheme Liabilities	-	2,277,439	-	(3,800,094)	-
Loss on changes in assumptions used to value Scheme liabilities	-	921,354	5,004,505	2,061,540	-

2.11.6.5: Sensitivity Analysis

124 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.

125 The obligations were valued based on a discount rate of 3.0% pa, as of 31 December 2018. The table below shows the effect of a one per cent change in the discount rate, as of 31 December 2018.

	After Service Health Insurance Plan	Repatriation Benefit Plan %	Accrued Annual Leave Plan
%+1	(7,100,000)	-	-
%-1	9,900,000	-	-

126 Similarly, a sensitive 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 medical cost inflation is presented below.

	1% increase 2018	1% decrease 2018
Effect on the aggregate of the service cost and interest cost		
Effect on defined benefit obligation	9,300,000	(6,900,000)

2.11.6.6: Expected Costs during 2018

127 The expected contribution of IMO in 2019 to the defined benefits plans is £1,229,413 (2018 estimate: £1,280,028). This has been derived from the 2018 paid figures with the ASHI payments unchanged for 2018 and the repatriation and annual leave payments increasing in line with general inflation.

2.11.7: United Nations Joint Staff Pension Fund

128 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.

129 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 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 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.

130 During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as of 31 December 2015. As such, as an exception to the normal biannual cycle, a roll forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for their 2016 financial statements.

131 The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2% (150.1% in the 2016 roll forward). The funded ratio was 102.7% (101.4% in the 2016 roll forward) when the current system of pension adjustments was taken into account.

132 After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2017, 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.

133 Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the UNJSPF during the preceding three years (2015, 2016 and 2017) amounted to \$23,119,688, of which 68.34% was contributed by IMO.

134 During 2018, IMO's contributions paid to UNJSPF amounted to \$5,146,439 (2017: \$5,021,431). Expected contributions due in 2019 are \$5,161,868.

135 Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

136 The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board and to the United Nations General Assembly 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 2.12: Leases

2.12.1: Finance Leases

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

	IMO		Consolidated	
	2018	2017	2018	2017
Current	145,820	115,469	145,820	115,469
Non-current	253,539	316,337	253,539	316,337
Total Finance Lease Liabilities	399,359	431,806	399,359	431,806

138 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
Less than one year	159,050	13,230	145,820	159,050	13,230	145,820
One to four years	262,642	9,103	253,539	262,642	9,103	253,539
Total Finance Lease liabilities	421,692	22,333	399,359	421,692	22,333	399,359

139 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.

2.12.2: Operating Leases

140 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	
	2018	2017	2018	2017
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	5,978,755	5,978,755	5,978,755	5,978,755
Later than five years	9,566,008	10,761,759	9,566,008	10,761,759
Total future minimum lease payments - operating leases	16,740,514	17,936,265	16,740,514	17,936,265

141 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.

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

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

144 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 2.13: Fund Balances and Reserves

Organization Only	Opening Balance 01.01.2018	Operating Surplus (Deficit) for the Period	Other Movements in Reserves	Closing Balance 31.12.2018
	GBP			
General Fund	10,587,306	624,939	-	11,212,245
Working Capital Fund	1,205,397	599,694	-	1,805,091
Trading Fund	9,285,290	1,410,029	-	10,695,319
Termination Benefit Fund	(34,598,607)	(23,068)	2,091,480	(32,530,195)
HQ Capital Fund	3,015,323	(353,591)	-	2,661,732
Training and Development Fund	250,113	(15,361)	-	234,752
Technical Cooperation Fund	8,809,156	309,571	-	9,118,727
Bilateral Operations and Multi-Donor Trust Funds⁷:				
Voyage Together Trust Fund	2,620,024	1,193,111	-	3,813,135
Model Courses Development Trust Fund	1,380,763	126,419	-	1,507,182
International Maritime Security Trust (IMST) Fund	1,357,851	100,403	-	1,458,254
Djibouti Code of Conduct Trust Fund	743,823	352,787	-	1,096,610
Government of Norway	528,460	287,151	-	815,611
GESAMP Trust Fund	720,932	75,767	-	796,699
Norwegian Agency for Development Corp. (NORAD)	369,255	205,423	-	574,678
Government of China	246,621	319,620	-	566,241
United Nations Environment Program (REMPEC)	247,704	269,844	-	517,548
Other Bilateral Operations and Multi-Donor Trust Funds ⁸	2,703,293	1,942,166	-	4,645,459
Total	9,472,704	7,424,904	2,091,480	18,989,088

Consolidated	Opening Balance 01.01.2018	Operating Surplus (Deficit) for the Period	Other Movements in Reserves	Closing Balance 31.12.2018
Total	19,653,930	10,040,750	1,954,672	31,649,352

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

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

147 The Working Capital Fund was originally established as a US dollar based Fund by Assembly resolution A.19(I) and was converted to sterling with effect from 1 January 1988 by Assembly resolution A.633(15)B. The purpose of the Fund is to make advances, if necessary, to finance the budgetary appropriations of the Regular Budget to cover temporary cash flow deficits. Assembly resolution A.1039 (27) further authorized the Secretary-General to use the fund as a reserve to account for currency gains

⁷ 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'.

⁸ Governments of Australia, Canada, China, Denmark, Egypt, Finland, France, Germany, Italy, Japan, Malaysia, Netherlands, Nigeria, Oman, Republic of Korea, Saudi Arabia, Spain, Sweden, United Kingdom, United States of America, European Commission, Indian Ocean Commission, International Association of Ports and Harbours (IAPH), International Transport Workers Federation, Union of Greek Ship-owners, 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 West and central Africa Maritime Security 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, Junior Professional Officer, Marine Pollution Response Trust Fund, Research and Development Trust Fund, Seminars and Workshops Fund, Study on Greenhouse Gas Emissions, Tsunami Relief Fund, Voluntary IMO Member States Audit Scheme Trust Fund.

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.

148 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.

149 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.

150 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.

151 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.

152 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.

153 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

154 Total assessed contribution for 2018 amounted to £31,872,098 (2017:£30,131,469) and the Organization's ten largest contributors are shown below. Assessed contributions are based on a flat base rate with additional components based on economic factors using UN index and merchant fleet tonnage. WMU and IMLI do not receive assessed contributions.

IMO		Amount GBP	% of total assessment
1	Panama	4,938,291	15.50
2	Marshall Island	3,188,327	10.00
3	Liberia	3,161,087	9.92
4	Singapore	1,919,084	6.02
5	Malta	1,600,278	5.02
6	China	1,327,925	4.17
7	United Kingdom	1,324,422	4.15
8	Bahamas	1,312,754	4.12
9	Greece	969,629	3.04
10	United States of America	876,241	2.75
Total		20,618,038	64.69

Note 3.2: Donor Voluntary Contributions

155 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.

156 Revenue from donor contribution for the reporting period amounted to £9,521,425 (2017:£5,561,729) and the Organization's ten largest contributors for 2018 are shown below:

IMO		Amount GBP	% of total donor revenue
1	Government of the Republic of Korea	2,056,519	21.60
2	European Commission	1,800,827	18.91
3	United Nations Environment Programme (UNEP)	972,983	10.22
4	United Nations Development Programme (UNDP)	634,412	6.66
5	Government of Japan	573,443	6.02
6	Government of Norway	941,953	9.89
7	Kingdom of Saudi Arabia	451,199	4.74
8	Government of Canada	321,128	3.37
9	Government of Belgium	308,130	3.24
10	Government of Australia	293,952	3.09
Total		8,354,546	87.74

157 Other than the contributions made by new donors or additional contributions made by existing donors during the year, the increase in donor contributions is mainly due to the timing of the recognition of revenue, which fluctuates from year to year.

158 The consolidated group's ten largest contributors to donor revenue in 2018 are shown below:

Consolidated		Amount GBP	% of total donor revenue
1	Government of Sweden	2,471,533	16.99
2	Government of the Republic of Korea	2,251,352	15.48
3	European Commission	2,227,269	15.31
4	Nippon Foundation	1,452,839	9.99
5	United Nations Environment Programme (UNEP)	972,983	6.69
6	Government of Norway	941,953	6.48
7	Government of Saudi Arabia	683,631	4.70
8	United Nations Development Programme (UNDP)	634,412	4.36
9	Government of Japan	573,443	3.94
10	Government of Canada	426,065	2.93
Total		12,635,480	86.87

Note 3.3: Commercial Activities

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

	IMO		Consolidated	
	2018	2017	2018	2017
Publication Sales	13,908,759	11,901,775	13,908,157	11,901,185
Cafeteria Sales	922,428	1,062,293	922,428	1,062,293
Assessment fees	649,705	383,932	649,705	383,932
Letting of conference facilities and other commercial revenue	518,229	385,842	1,561,394	1,636,735
Total	15,999,121	13,733,842	17,041,684	14,984,145

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

	2018	2017
Sale of physical publications	11,671,858	9,976,966
Electronic publications	1,047,353	789,112
Royalties	808,055	699,914
Subscriptions	176,953	212,305
Model Courses	106,189	127,826
Other publications	98,351	95,652
Total publication sales	13,908,759	11,901,775

161 The increase in revenue from publication sales is mainly due to new editions of GMDSS Manual (2017 Edition) and STCW (2017 Edition) released during the end of 2017.

Note 3.4: Fellowships

162 Both WMU and IMLI receive funds for fellowships to support students. IMO does not receive such revenue, and consequently only the consolidated figures are shown, which amounted to £5,824,177 for 2018 (2017: £5,409,289). The five largest aggregate contributors are listed below:

		Consolidated	
		2018	% of total
		GBP	fellowship
			revenue
1	The Nippon Foundation	1,731,055	33.2
2	Government of Norway	399,302	7.7
3	International Transport Workers' Federation (ITF)	291,306	5.6
4	Government of the Republic of Korea	246,965	4.7
5	Government of Germany	194,769	3.7
Total		2,863,397	54.9

Note 3.5: Other Revenue

163 The most significant sources of other revenue are set out below

	IMO		Consolidated	
	2018	2017	2018	2017
	GBP	GBP	GBP	GBP
Interest earned on investment of funds	440,202	209,630	702,627	288,399
Other revenue	26,579	26,887	295,804	219,979
Total	466,781	236,517	998,431	508,378

NOTE 4: EXPENSES

	IMO		Consolidated	
	2018	2017	2018	2017
4.1: Staff and other personnel costs				
Professional and general service staff, experts	27,573,939	27,413,551	34,043,109	33,861,805
Appointment and separation	3,125,711	2,777,642	3,380,227	2,822,022
Termination benefit	246,474	137,343	246,474	137,343
Consultants	1,433,399	1,453,403	1,979,981	1,855,030
Temporary assistance	1,444,457	1,346,050	1,444,457	1,356,459
Meetings personnel (interpreters, translators, temporary employees)	868,265	801,398	868,265	801,397
Total staff and other personnel costs	34,692,245	33,929,387	41,962,513	40,834,056
4.2: Travel expenses				
Fares	946,221	1,064,983	1,369,920	1,406,356
Daily Subsistence Allowance and other expenses	935,572	996,847	1,185,946	1,202,762
Total travel expenses	1,881,793	2,061,830	2,555,866	2,609,118
4.3: Supplies, consumables and other running costs				
Office supplies and consumables	81,449	85,084	117,523	139,599
Telecommunications and information technology	1,073,917	1,222,262	1,288,875	1,512,232
Rent, rates and insurance	1,163,674	1,440,866	1,206,393	1,491,095
Utilities	599,488	701,613	651,304	748,011
Medical costs	14,550	23,213	14,550	23,213
Library books, magazines, subscriptions	31,303	33,032	228,654	201,665
Hospitality	58,245	25,234	189,012	151,786
Vehicle, local transport and hotel accommodation	27,091	35,492	43,233	46,684
Postage, telephone and freight	428,610	383,284	496,092	446,063
Equipment, furniture and local procurement	1,098,943	2,143,119	1,143,155	2,171,024
Building maintenance	1,148,119	905,349	1,156,812	916,000
Other operational costs		-	282,333	182,888
Total supplies, consumables and other running costs	5,725,389	6,998,548	6,817,936	8,030,260
4.4: Costs related to trading activities				
Cost of Sales IMO Publications	908,735	828,617	908,735	828,617
Cost of Sales Model courses	14,827	25,247	14,827	25,247
Loss on Physical Inventory	(1,157)	(4,144)	(1,157)	(4,144)
Publications issued free of charge	13,974	30,115	13,975	30,115
Provision for return of obsolete publications	131,805	75,089	131,805	75,089
Printing (contract - out)	59,209	133,738	59,209	133,738
Electronic publishing (IMO/Vega)	169,770	149,315	169,770	149,315
Catering food and supplies	567,798	564,488	567,798	564,488
Public relations articles held by WMU		-	8,672	8,514
Total costs related to trading activities	1,864,961	1,802,465	1,873,634	1,810,979

	IMO		Consolidated	
	2018	2017	2018	2017
4.5: Outsourced services				
Security services	568,304	499,460	628,923	529,932
Cleaning services	459,629	493,454	598,052	632,353
Telecommunications/IT related services	-	-	50,644	38,206
Catering services	-	-	108,590	95,681
Leases	47,139	20,178	47,139	20,178
Sub-contract delivery of Technical Cooperation activities	43,888	58,393	43,887	58,393
Total outsourced services	1,118,960	1,071,485	1,477,235	1,374,743
4.6: Training and development				
Staff training	131,351	53,519	164,725	85,100
Fellowships	1,151,787	743,434	2,289,728	2,537,316
Group training including participant travel	2,802,595	2,488,900	2,802,595	2,488,900
Student costs (WMU and IMLI)	-	-	243,086	138,481
Total training and development	4,085,733	3,285,853	5,500,134	5,249,797
4.7: Currency exchange (gain) loss	(1,128,278)	1,714,673	(2,246,155)	2,913,448
4.8: Depreciation, amortization and impairment				
Impairment investment	-	-	103,356	-
Depreciation of property, plant and equipment	514,099	490,761	652,241	671,529
Transfer of Completed AUC(PPE)	135,302	-	135,302	-
Loss/(gain) on disposal of property, plant and equipment	(62,868)	927	(62,868)	927
Amortization of intangible assets	436,454	404,283	436,826	406,211
Impairment of IMO publications	22,563	45,247	22,563	45,247
Total depreciation, amortization and impairment	1,045,550	941,218	1,287,420	1,123,914
4.9: Return of unspent funds	125,583	317,872	125,583	317,872
4.10: Other expenses				
Jointly financed UN bodies	131,843	111,346	131,843	111,346
Grants	289,560	299,236	-	-
Bank charges	214,081	178,335	245,353	198,203
External audit	52,904	49,468	90,176	83,916
Other miscellaneous expenses	334,197	168,600	421,764	611,108
Total other expenses	1,022,585	806,985	889,136	1,004,573
Total expenses	50,434,521	52,930,316	60,243,302	65,268,760

164 Staff and other personnel costs include salaries, 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.

165 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.

166 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 (2017: £1,195,751). There was an accrued rent of £298,938 since 2011, and on review, correction was made in 2018.

167 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.

168 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.

169 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.

170 Other expenses include shared costs of jointly financed UN bodies, public information (including IMO News and publicity), bank charges and external audit fees. The total figure includes the amount of £135,102 refunded by Barclays Bank for the total amount of over charges and compensatory interest at the rate of 8%, which were erroneously charged to IMO during the years 2005 to 2015 for international payment transactions, and notified to IMO in 2018.

NOTE 5: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

171 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 Financial Report.

172 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, specifically the net cash flow from operating activities, investing activities and financing activities, identifying differences in terms of basis, timing and entity, respectively.

173 Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For IMO, the budget is prepared on a modified accruals basis and the financial statements are prepared on a full accruals basis in accordance with IPSAS, and as a result basis differences arise in particular for long-term assets and liabilities. One example is Property, Plant and Equipment, where budget expenditure is recognized on purchase of a new asset while the IPSAS-based expenditure recognized in Statement II shows depreciation over the life of the asset.

174 Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. For IMO, the Organization's extra-budgetary and donor-funded programmes are not a part of the budgetary approval process of the Assembly and the Council and so are not included in Statement V, and consequently the revenue and expenses relating to such programmes are an entity difference.

175 Presentation differences occur as a result of 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, in particular in relation to the reflection of transfers from the surplus of the Trading Fund which then forms the basis for a proportion of the approved budget of other Funds. These amounts are shown separately for budget comparison purposes, but are eliminated when preparing the overall IMO position shown in Statements II and IV.

176 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.

177 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 2018 is shown below. Budget amounts have been presented on a functional classification basis in accordance with the approved budget for 2018, which presents a breakdown of the budget for purposes of the above comparison. The amount of surplus of £3,858,676 for 2018 shown in Statement Va (IMO only) has been reconciled to the net increase in cash and cash equivalents of (£12,794,465) presented in Statement IV (IMO 2018) and the details of the reconciliation are presented in the table below. Operating activities in the table includes two figures shown separately in Statement IV- other movement in net assets of £ 2,091,480 and the effect of exchange rate changes on cash and cash equivalent of £333,303.

		Adjustments pertaining to cash flows from:			
		Operating activities	Investing activities	Financing activities	Total
Actual amounts on a comparable basis as presented in the Budget and Actual comparative Statement	A	3,858,676	-	-	3,858,676
Basis differences	(a)	(3,945,859)	(108,967)	(32,447)	(4,087,273)
Entity differences	(b)	4,904,982	(19,199)	-	4,885,783
Presentation differences	(c)	8,137,279	-	-	8,137,279
Total Differences	B=a+b+c	9,096,402	(128,166)	(32,447)	8,935,789
Actual amounts in the Statement of Cash Flows	C=A+B	12,955,078	(128,166)	(32,447)	12,794,465

178 The reconciliation of the amount of surplus of £4,603,915 shown in Statement Vb (Consolidated 2018 including WMU and IMLI) has also been made to the net increase in cash and cash equivalents of £17,012,718 indicated in Statement IV (Consolidated 2018), as shown in the table below, using the reconciliation statements submitted by WMU and IMLI.

		Adjustments pertaining to the cash flows from:			
		Operating activities	Investing activities	Financing activities	Total
Actual amounts on a comparable basis as presented in the Budget and Actual comparative Statement	A	4,603,915	-	-	4,603,915
Basis differences	(a)	(3,945,859)	(108,967)	(32,447)	(4,087,273)
Entity differences	(b)	9,737,603	(1,378,806)	-	8,358,797
Presentation differences	(c)	8,137,279	-	-	8,137,279
Total Differences	B=a+b+c	13,929,023	(1,487,773)	(32,447)	12,408,803
Actual amounts in the Statement of Cash Flows	C=A+B	18,532,938	(1,487,773)	(32,447)	17,012,718

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 GBP	Elimination	Grand Total
ASSETS					
Current assets					
Cash and cash equivalents	30,166,726	6,957,531	32,246,606	-	69,370,863
Contributions receivable	355,655	-	77,571	-	433,226
Inventories	-	1,057,844	-	-	1,057,844
Advances to sub-contractors	-	-	728,021	-	728,021
Inter-segment sums receivable	1,436,168	3,716,006	1,077,083	(6,229,257)	-
Other receivables – exchange transactions	1,331,234	188,082	297,591	-	1,816,907
Other receivables – non-exchange transactions	-	-	-	-	-
Total Current Assets	33,289,783	11,919,463	34,426,872	(6,229,257)	73,406,861
Non-current assets					
Property, plant and equipment	1,606,034	17,948	26,971	-	1,650,953
Intangible assets	421,058	-	11,968	-	433,026
Total non-current assets	2,027,092	17,948	38,939	-	2,083,979
TOTAL ASSETS	35,316,875	11,937,411	34,465,811	(6,229,257)	75,490,840
LIABILITIES					
Current liabilities					
Payables and accruals – exchange transactions	1,290,305	628,842	1,157,491	-	3,076,638
Payables and accruals – non-exchange transactions	957,165	-	6,407,073	-	7,364,238
Provisions and warranties	-	88,315	-	-	88,315
Inter-segment sums payable	3,723,616	524,935	1,980,706	(6,229,257)	-
Employee benefits	184,167	-	10,397	-	194,564
Finance lease liabilities	145,820	-	-	-	145,820
Total current liabilities	6,301,073	1,242,092	9,555,667	(6,229,257)	10,869,575
Non-current liabilities					
Employee benefits	45,378,638	-	-	-	45,378,638
Finance lease liabilities	253,539	-	-	-	253,539
Total non-current liabilities	45,632,177	-	-	-	45,632,177
TOTAL LIABILITIES	51,933,250	1,242,092	9,555,667	(6,229,257)	56,501,752
NET ASSETS	(16,616,375)	10,695,319	24,910,144	-	18,989,088
FUND BALANCES AND RESERVES					
Fund balances and reserves	(17,448,988)	9,285,290	19,727,882	-	11,564,184
Surplus (Deficit) for the year	832,613	1,410,029	5,182,262	-	7,424,904
TOTAL FUND BALANCES AND RESERVES	(16,616,375)	10,695,319	24,910,144	-	18,989,088

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
ASSETS						
Current assets						
Cash and cash equivalents	30,166,726	6,957,531	32,246,606	18,154,068	-	87,524,931
Contributions receivable	355,655	-	77,571	11,315	-	444,541
Inventories	-	1,057,844	-	53,575	(21,532)	1,089,887
Advances to sub-contractors	-	-	728,021	-	-	728,021
Inter-segment sums receivable	1,436,168	3,716,006	1,077,083	-	(6,229,257)	-
Other receivables – exchange transactions	1,331,234	188,082	297,591	1,102,992	(149,928)	2,769,971
Other receivables – non-exchange transactions	-	-	-	19,117	-	19,117
Total current assets	33,289,783	11,919,463	34,426,872	19,341,067	(6,400,717)	92,576,468
Non-current assets						
Investment	-	-	-	2,177,057	-	2,177,057
Property, plant and equipment	1,606,034	17,948	26,971	247,034	-	1,897,987
Intangible assets	421,058	-	11,968	-	-	433,026
Total non-current assets	2,027,092	17,948	38,939	2,424,091	-	4,508,070
TOTAL ASSETS	35,316,875	11,937,411	34,465,811	21,765,158	(6,400,717)	97,084,538
LIABILITIES						
Current liabilities						
Payables and accruals – exchange transactions	1,290,305	628,842	1,157,491	680,036	-	3,756,674
Payables and accruals – non-exchange transactions	957,165	-	6,407,073	8,320,567	(1,189,724)	14,495,081
Provisions and warranties	-	88,315	-	-	-	88,315
Inter-segment sums payable	3,723,616	524,935	1,980,706	-	(6,229,257)	-
Employee benefits	184,167	-	10,397	23,666	-	218,230
Finance lease liabilities	145,820	-	-	-	-	145,820
Total current liabilities	6,301,073	1,242,092	9,555,667	9,024,269	(7,418,981)	18,704,120
Non-current liabilities						
Employee benefits	45,378,638	-	-	1,098,889	-	46,477,527
Finance lease liabilities	253,539	-	-	-	-	253,539
Total non-current liabilities	45,632,177	-	-	1,098,889	-	46,731,066
TOTAL LIABILITIES	51,933,250	1,242,092	9,555,667	10,123,158	(7,418,981)	65,435,186
NET ASSETS	(16,616,375)	10,695,319	24,910,144	11,642,000	1,018,264	31,649,352
FUND BALANCES AND RESERVES						
Fund balances and reserves	(17,448,988)	9,285,290	19,727,882	9,780,500	263,918	21,608,602
Surplus/(deficit) for the year	832,613	1,410,029	5,182,262	1,861,500	754,346	10,040,750
TOTAL FUND BALANCES AND RESERVES	(16,616,375)	10,695,319	24,910,144	11,642,000	1,018,264	31,649,352

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
Revenue					
Assessed contributions	31,872,098	-	-	-	31,872,098
Donor voluntary contributions	-	-	9,521,425	-	9,521,425
Commercial activities	518,229	14,716,953	763,939	-	15,999,121
Other revenue	139,731	70,783	256,267	-	466,781
Support costs earned	1,454,942	-	-	(1,454,942)	-
Inter-segment transfers	5,057,458	(841)	5,798,441	(10,855,058)	-
TOTAL REVENUE	39,042,458	14,786,895	16,340,072	(12,310,000)	57,859,425
Expenses					
Staff and other personnel costs	28,654,065	2,172,093	3,866,087	-	34,692,245
Travel expenses	492,731	76,803	1,312,259	-	1,881,793
Supplies, consumables and other running costs	3,857,027	864,874	1,003,488	-	5,725,389
Cost related to trading activities	-	1,864,961	-	-	1,864,961
Outsourced services	881,647	193,426	43,887	-	1,118,960
Training and development	131,062	289	3,954,382	-	4,085,733
Support costs charged	-	690,228	764,714	(1,454,942)	-
Depreciation, amortisation and impairment	818,273	33,165	194,112	-	1,045,550
Return of unspent funds	-	-	125,583	-	125,583
Other expenses	45,999	247,783	728,803	-	1,022,585
Inter-segment transfers	3,532,406	7,247,000	75,652	(10,855,058)	-
TOTAL EXPENSES	38,413,210	13,390,622	12,068,967	(12,310,000)	51,562,799
Currency exchange gain/(loss)	203,365	13,756	911,157	-	1,128,278
SURPLUS (DEFICIT) FOR THE YEAR	832,613	1,410,029	5,182,262	-	7,424,904

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
Revenue						
Assessed contributions	31,872,098	-	-	-	-	31,872,098
Donor voluntary contributions	-	-	9,521,425	5,026,237	-	14,547,662
Commercial activities	518,229	14,716,953	763,939	1,074,311	(31,748)	17,041,684
Fellowships	-	-	-	6,399,307	(575,130)	5,824,177
Other revenue	139,731	70,783	256,267	531,879	(229)	998,431
Support costs earned	1,454,942	-	-	-	(1,454,942)	-
Inter-segment transfers	5,057,458	(841)	5,798,441	-	(10,855,058)	-
TOTAL REVENUE	39,042,458	14,786,895	16,340,072	13,031,734	(12,917,107)	70,284,052
Expenses						
Staff and other personnel costs	28,654,065	2,172,093	3,866,087	7,296,137	(25,869)	41,962,513
Travel expenses	492,731	76,803	1,312,259	674,073	-	2,555,866
Supplies, consumables and other running costs	3,857,027	864,874	1,003,488	1,087,201	5,346	6,817,936
Costs related to trading activities	-	1,864,961	-	8,673	-	1,873,634
Outsourced services	881,647	193,426	43,887	358,275	-	1,477,235
Training and development	131,062	289	3,954,382	2,461,824	(1,047,423)	5,500,134
Support costs charged	-	690,228	764,714	-	(1,454,942)	-
Depreciation, amortization and impairment	818,273	33,165	194,112	241,870	-	1,287,420
Return of unspent funds	-	-	125,583	-	-	125,583
Other expenses	45,999	247,783	728,803	161,191	(294,640)	889,136
Inter-segment transfers	3,532,406	7,247,000	75,652	-	(10,855,058)	-
TOTAL EXPENSES	38,413,210	13,390,622	12,068,967	12,289,244	(13,672,586)	62,489,457
Currency exchange gain/(loss)	203,365	13,756	911,157	1,119,010	(1,133)	2,246,155
SURPLUS/(DEFECIT)FOR THE YEAR	832,613	1,410,029	5,182,262	1,861,500	754,346	10,040,750

179 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 £7,247,000 of which £5,797,600 was to the Technical Cooperation Fund and £1,449,400 was to the Core Programme. In addition, there are support costs totalling £764,715 charged on extra-budgetary activities and £690,227 charged to the Trading Activities to reimburse costs incurred by the Core Programme.

180 In the consolidated notes, revenue totalling £211,508 (2017:£578,730) and expenditure totalling £960,950 (2017:£ 674,746) between IMO and WMU, and revenue totalling £395,599 (2017:£ 461,305) and expenditure totalling £400,503 (2017:£ 249,409) between IMO and IMLI, have been included in the segment reporting figures and eliminated in arriving at the consolidated position. The elimination has resulted in a net effect of increasing the surplus by £754,346 (2017:deficit £115,880). Further information on the nature of these transactions are provided in Note 9.2.

181 A brief summary of the goods and services provided under each segment, and their objectives, is set out in Note 1, paragraphs 41 to 46.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Note 7.1: Commitments

182 As at 31 December 2018, IMO had commitments for goods and services including consultancy contracted but not delivered as follows:

	2018	2017
	GBP	GBP
Purchase of services including consultancy	1,419,059	1,522,271

183 The actual discharge of the 2017 commitments in 2018 is £1,236,441, the breakdown of which is shown below:

	2017 Commitments	2018 discharge
Regular budget strategic results	106,926	97,495
Trading activities	-	-
Headquarters capital	133,335	116,101
Training and development	20,999	19,975
Termination benefit	-	-
Technical cooperation (TC Fund)	798,747	698,894
Sub-total	1,060,007	932,465
Technical cooperation (Donor Funds)	462,264	303,976
Total	1,522,271	1,236,441

184 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

185 As at 31 December 2018, 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.

186 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 \$103,726 and \$432,533 respectively, as at 31 December 2017, between IMO and UNDP.

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

187 Financial Regulation 10.3 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 2018, ex-gratia payments totalling £19,000 were made for the termination of two temporary staff.

188 Financial Regulation 10.4 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 2018, irrecoverable receivables resulted in write-offs to the amount of £3,575 for IMO and for the consolidated group (2017: £927). In addition, write-offs as a result of the loss or obsolescence of inventory totalled £22,563 for IMO and for the consolidated group (2017:£22,348).

189 During 2018, IMO has three cases of reported fraud or presumptive fraud, the review of which is on-going.

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

Number of individuals (Full Time Equivalent)	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration 2018	Outstanding Loans and Advances against entitlements 31.12.2018
IMO					
9	1,323,779	218,893	306,277	1,848,949	-
Consolidated					
11	1,866,809	242,096	387,122	2,496,027	-

190 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. During the period from 1 January to 31 December 2018, a Senior Deputy Director was covering the post of one of the Divisional Director who was on leave of absence, as such the total staff cost for one year was included in the total remuneration for 2018, as well as in number of individuals (full time equivalent).

191 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

192 Key management personnel are also qualified for post-employment benefits (Note 2.11) at the same level as other employees. Key management personnel of IMO are participants of UNJSPF.

Note 9.2: Related Parties

193 The Organization's only related parties within the meaning of IPSAS 20 – "Related Party Disclosures" are the UN International Computing Centre (ICC), WMU and IMLI. The consolidated group, including those bodies, has no related parties.

194 The ICC was established in January 1971 pursuant to Resolution 2741 (XXV) of the United Nations General Assembly. ICC provides Information Technology and Communications services to Partners and Users in the United Nations System. As a Partner bound by the Mandate of the ICC, IMO would be proportionately responsible for any third party claim or liability arising from or related to service activities of the ICC as specified in the ICC Mandate. At 31 December 2018, there are no known claims that impact IMO. Ownership of assets is with ICC until dissolution. Upon dissolution, the division of all assets and liabilities amongst Partner Organizations shall be agreed by the Management Committee by a formula defined at that time.

195 During 2018, IMO provided £639,413 (2017:£355,132) and £395,599 (2017: £249,337) 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 £119,678 (2017: £435,208) and IMLI towards IMO of £308,826 (2017: £386,576), in respect of deferred fellowship revenue, have also been eliminated.

NOTE 10: OTHER CHANGES IN NET ASSETS

196 In addition to the actuarial gains of £2,091,480 reported in Note 2.11, exchange rate differences arose 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 2018 closing rate which differs from the 2017 closing rate, and such changes are presented as a separate component of net assets/equity in accordance with IPSAS 4.

	GBP		
	WMU	IMLI	Total
Opening balance at 31.12.2018 exchange rate	6,794,398	2,753,391	9,547,789
Opening balance at 01.01.2018 exchange rate	6,928,308	2,713,524	9,641,832
	(133,910)	39,867	(94,043)

NOTE 11: EVENTS AFTER REPORTING DATE

197 IMO's reporting date is 31 December 2018. On the date of the 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
(unaudited)

Name	Address
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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