

INTERNATIONAL MARITIME ORGANIZATION

**FINANCIAL REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021**

REPORT OF THE EXTERNAL AUDITORS



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INTERNATIONAL MARITIME ORGANIZATION

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

2 The Report of the External Auditors on the audit of the 2021 financial statements, together with their 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 is in London and its complement is approximately 320 staff members, including project staff, Member States Professionals, and temporary employees. IMO's principal place of business, as well as the names and addresses of its General Counsel, actuary, principal banker, 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 175 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 2021

7 IMO continues to actively pursue its targets and objectives in a wide range of subject areas, despite the challenges and difficulties resulting from the ongoing COVID-19 pandemic. Some of the highlights of 2021 for the Organization are summarized below.

Maritime safety

8 In 2021, the Maritime Safety Committee (MSC) continued its regulatory work under the prevailing conditions. Due to the pandemic, a number of meetings, in particular of technical sub-committees, had to be cancelled or postponed. However, the MSC met for its 103rd and 104th regular session in May and October 2021, respectively, to continue its work. Due to the limitations posed by holding the sessions remotely, selected agenda items were dealt with by correspondence or postponed.

9 Concerning its ongoing work, the Committee adopted a substantial number of amendments to instruments under its remit, including the SOLAS Convention and associated Codes mandatory under it, the STCW Convention and STCW Code and the 1988 Load Lines Protocol. Furthermore, among many other things, the Committee continued its audit programme under the *Goal-based ship construction standards for bulk and oil tankers* (GBS); progressed the work on the development of regulations for maritime autonomous surface ships (MASS); considered further measures to enhance the safety of ships relating to the use of oil fuel; finalized and approved recommendatory Model Regulations on Domestic Ferry Safety, for adoption at MSC 105 in April 2022; finalized a comprehensive review of the Global Maritime Distress and Safety System (GMDSS) to enable the use of modern communication systems in the GMDSS while removing requirements to carry obsolete systems; recognized the Japanese Regional Navigation Satellite System Quasi-Zenith Satellite System (QZSS) as a component of the world-wide radio navigation system (WWRNS); considered the mandatory use of all recognized mobile satellite services providing services for dissemination of information by MSI and SAR information providers and considered options to address related cost implications; and supported the active promotion of the ratification of the 2012 Cape Town Agreement by the Secretariat through multilingual regional webinars and bilateral meetings with Member States.

10 The Committee also considered and approved a number of proposals for new work items, including the development of measures regarding the detection and mandatory reporting of containers lost at sea to enhance their positioning, tracking and recovery; and the development of guidance on assessments and applications of remote surveys, ISM Code audits and ISPS Code verifications. The latter item has gained in importance following the COVID-19 pandemic which made on-site surveys and audits impossible in many cases, due to international travel restrictions. Work on these matters will commence in 2022.

Facilitation of maritime traffic

11 Regarding the facilitation of maritime traffic, work to review the Convention on Facilitation of International Maritime Traffic (FAL Convention) continued in 2021, resulting in the approval of a revised version of the Convention at FAL 44 in June 2021 which is expected to be adopted in May 2022. The new amendments will make maritime single windows mandatory for ports from January 2024; include lessons learnt from the COVID-19 pandemic; and add new and amended Recommended Practices to prevent corruption and illicit activities in the maritime sector. FAL 44 also approved Guidelines to create a tool for Contracting Governments to measure domestic implementation of the FAL Convention.

12 Concerning digitalization, the FAL Committee approved a new version of the IMO Compendium on Facilitation and Electronic Business. The Compendium facilitates the exchange of information from ship to shore and the interoperability of maritime single windows, reducing the administrative burden for ships linked to formalities in ports by harmonizing the definitions and formats of the data elements required during a port call and by standardizing electronic messages.

13 To assist Member States in complying with the digitalization requirements, two technical cooperation projects on maritime single windows have been launched, the "Single Window for Facilitation of Trade" (SWiFT) project implemented in Angola, in cooperation with Singapore, and the "World Bank Group/IMO maritime single window for SIDS", to be implemented in Fiji.

Maritime security

14 Concerning maritime security, IMO has focussed on assisting Member States by increasing and diversifying the capacity building support on offer. The new "Whole of Government" approach to National Maritime Security Committees, Risk Registers and Strategies has been implemented for five Eastern Caribbean States and support is currently being provided to an array of countries across East and West Africa and the Western Indian Ocean. Beyond this, horizon scanning for new capacity building initiatives is ongoing, including cruise ship passenger and baggage screening courses, unmanned aerial vehicle security and Maritime Domain Awareness training. 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 vast majority of technical assistance provided in 2021 was delivered through virtual platforms.

15 The Maritime Safety Division started implementing two major EU funded port security projects, supporting Member States in Eastern and Southern Africa, the Indian Ocean and the Red Sea area. These projects are being delivered in partnership with the United Nations Office on Drugs and Crimes (UNODC) and the International Criminal Police Organization (INTERPOL) and deliver across a broad array of maritime security issues.

16 Work to address piracy and armed robbery in the Gulf of Guinea continued to be at the top of IMO's agenda, with support to the Interregional Coordination Centre and its strategic role on the implementation of the Yaoundé Code of Conduct, as well as the G7++ Friends of the Gulf of Guinea and the Gulf of Guinea Maritime Collaboration Forum / Shared Awareness and Deconfliction to coordinate regional and international initiatives. IMO also continued to assist with the implementation of the Djibouti Code of Conduct and the Jeddah amendments; provided assistance for training under the Djibouti Regional Training Centre umbrella; explored options for online capacity-building activities; and promoted the implementation of Best Management Practices for protection against piracy and armed robbery for West Africa and global counter piracy guidance for companies, masters and seafarers.

17 MSC also prepared an update of IMO Assembly resolution A.1069(28) on *Prevention and suppression of piracy and armed robbery against ships and illicit maritime activity in the Gulf of Guinea* to reflect the current situation and developments since the resolution was adopted in 2013. The resolution was adopted by the 32nd session of the IMO Assembly as A.1159(32).

Environmental protection

18 In 2021, the Marine Environment Protection Committee (MEPC) pushed forward with a number of measures aimed at supporting the achievement of the objectives set out in the *Initial IMO Strategy on reduction of greenhouse gas (GHG) emissions from ships*, and in particular, adopted amendments to MARPOL Annex VI laying down new mandatory measures to cut the carbon intensity of ships by at least 40% by 2030, compared to 2008; approved a work plan on the concrete way forward to make progress with candidate mid- and long-term measures including measures to incentivize the move away from fossil fuels to low- and zero-carbon fuels to achieve decarbonization of international shipping; and agreed to initiate the revision of the Initial IMO Strategy on Reduction of GHG emissions from ships which was adopted in 2018, recognizing the need to strengthen the ambition during the revision process.

19 MEPC made further progress on the polar protection by adopting amendments to MARPOL Annex I to introduce a prohibition on the use and carriage for use as fuel of heavy fuel oil (HFO) by ships in Arctic

waters from 1 July 2024 and a resolution encouraging Member States to commence addressing the threat to the Arctic from Black Carbon emissions, and report on measures and best practices to reduce Black Carbon emissions from shipping. MEPC, in order to enhance implementation of IMO's mandatory international regulations, adopted the Strategy to address marine plastic litter from ships, which sets out the ambitions to reduce marine plastic litter generated from, and retrieved by, fishing vessels; reduce shipping's contribution to marine plastic litter; and improve the effectiveness of port reception and facilities and treatment in reducing marine plastic litter.

20 Notwithstanding the identified challenges on ITCP delivery caused by the COVID-19 pandemic, MEPC noted by correspondence, that some 18 technical cooperation activities related to the protection of the marine environment had been implemented by the Marine Environment Division in 2020, under IMO's Integrated Technical Cooperation Programme (ITCP), covering IMO's priority environmental conventions and protocols. Recognizing that these ITCP activities also supported initiatives of other United Nations (UN) organizations/agencies, notably to further strengthen implementation of the UN 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs). MEPC 76 also approved the revised thematic priorities related to the marine environment and endorsed the reinstatement of a dedicated global programme on reducing atmospheric emissions from ships and in ports, and effective implementation of IMO's Initial GHG Strategy, for inclusion under the ITCP for the 2022-2023 biennium.

21 In addition to documenting best practices, work in 2021 included: remote delivery of workshops and seminars, developing training materials on environmental subjects adapted to meet the "new realities", and initiating e-learning packages and home-based consultancies in lieu of planned workshops. In 2021, IMO, together with the World Maritime University (WMU), developed a one-day e-learning introductory course on Oil Pollution Preparedness, Response and Cooperation (OPRC). The e-learning course will be owned and hosted by IMO and can be used to deliver some components of IMO's capacity-building programmes virtually, broadening access to a wider audience. The OPRC e-learning course is due to be launched in early 2022. Moreover, a number of online events were delivered to raise awareness on oil spill preparedness and response matters during a series of GI WACAF webinars.

22 During 2021, IMO was faced with several urgent and highly politicized oil pollution response related matters that required immediate attention and the support of the Organization, notably related to preparedness and response in respect of FSO SAFER in Yemen.

23 The governing bodies of the London Convention/Protocol (LC/LP) continued their work, to strengthen the implementation of the LC/LP and to increase the membership to the LP. In particular, the governing bodies approved the *Guidelines for selecting sites for the dumping of wastes and other matter at sea and for developing site management and monitoring plans*, the Action Plan to improve LC/LP reporting, as well as the report of the postponed 13th session of the London Protocol Compliance Group. In addition, the Contracting Parties to the LP agreed to move towards the removal of sewage sludge as a permissible waste, by way of amendment to Annex 1 of the London Protocol, hopefully in 2022. The LC/LP governing bodies also initiated preparations for the first full review of the 2016 LP/LC Strategic Plan, which is due in 2022, and preparations for the commemoration of the 50th anniversary since the adoption of the London Convention in 1972. To strengthen the possibilities to provide technical cooperation and assistance even in situations where in person meetings are not possible, a dedicated online workshop package was developed based on the existing training packages, which will be trialled in the first quarter of 2022.

24 Supporting the work of IMO on environmental matters, the Joint Group of Experts on the Scientific Aspects of Marine Environmental Protection (GESAMP), for which IMO acts as the Secretariat, continued its work in nine dedicated working groups, including the publication of a report on sea-based sources of marine litter. The report, which was prepared by GESAMP's Working Group 43 (co-sponsored by IMO, FAO and UNEP), was developed to support the implementation of the IMO Action Plan to address marine plastic litter from ships, as well as the work on related matters under the LC/LP as well as relevant work under FAO and UNEP mandates.

Legal matters

25 The Intersessional Meeting of the Working Group on Council Reform was held remotely in February 2021. The Working Group developed and finalized the amendments to the IMO Convention. The Council, at its thirty-third extraordinary session held in April 2021, approved the amendments and forwarded them to the Assembly. The Assembly, at its thirty-second regular session, adopted the amendments, which, when in force, will increase the membership of the Council from 40 to 52; extend the term of the Council to four years; and add the Arabic, Chinese and Russian as authentic languages of the IMO Convention. The Assembly also adopted the *Guidance on consistent application of Article 17 of the IMO Convention*. Moreover, the Assembly adopted its revised Rules of Procedure. The work of the Council and the Assembly on those matters was facilitated by the Legal Affairs Office.

26 The Legal Affairs Office also facilitated the 108th session of the Legal Committee, held in July 2021. Among other matters, the Committee considered abandonment of seafarers, advice and guidance in connection with the implementation of IMO instruments, measures to prevent unlawful practices associated with the fraudulent registration and fraudulent registries of ships, regulatory scoping exercise related to the operation of MASS, piracy, interpretation of the test for breaking the owner's right to limit liability under IMO conventions and promotion of the entry into force of the 2010 HNS Convention. The Assembly, at its thirty-second session, adopted four resolutions emanating from the Legal Committee: three of them related to the owner's right to limit liability and one related to the fraudulent registration of ships.

27 Due to the pandemic, the technical cooperation activities related to the implementation of IMO's instruments into domestic legislation were delivered remotely in Latin America, Asia and Pacific and in Africa. IMO Legal Officers delivered also various lectures to students at the World Maritime University and at the International Maritime Law Institute. In addition, IMO Legal Officers provided instruction to the new IMLI course on the Law of Treaties in 2021, a course which many current IMO delegates attended.

28 The Legal Affairs Office continued the reform of the internal justice system in close cooperation with other UN specialized agencies and with the UN Office of the Administration of Justice. Six cases were considered by the Staff Appeals Board and three cases were considered by the United Nations Appeals Tribunal, which involved a considerable amount of work.

29 The Legal Affairs Office continued the reform of the internal justice system in close cooperation with other UN specialized agencies and with the UN Office of the Administration of Justice. Six cases were considered by the Staff Appeals Board and three cases were considered by the United Nations Appeals Tribunal.

30 The Legal Affairs office also provided numerous legal advice to the Secretariat, Member States, the Council, Committees and Sub-Committees. The depositary processed more than 100 depositary actions by Member States in 2021, representing a typical workload for the depositary staff.

31 The External Relations Office assisted the Council Working Group on the new applications of NGOs and for the first-time organizations gave a presentation on their applications.

32 Furthermore, the Assembly, in 2021, adopted a new procedure to bring more clarity and transparency to the application process of IGOs.

Outreach

33 IMO's public facing visibility continued apace. The twin stories of the adoption of the implementation of the initial strategy for the reduction of greenhouse gas emissions from ships, and the seafarer's crew change crisis, described above were far and away the top IMO stories for 2021, garnering global media attention for IMO at unprecedented levels. IMO exposure in the global, mainstream media on other issues

became much more frequent than previously. In many cases, stories regarding the crew change crisis were carried by more than 800 media outlets in a single day, with an estimated reach of more than 1 billion readers. 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 2021 under the theme "fair future for seafarers" had millions of impressions worldwide. Seafarers were invited to share their visions for a fair future through a series of polls on social media platforms, reaching thousands of people. IMO's followers on Facebook, Twitter, LinkedIn, and Instagram continue to grow. Video production improved in both quantity and quality, and the IMO YouTube channel continues to be populated with quality productions. Many IMO Goodwill Maritime Ambassadors (IMOGMAs), in addition to their outreach work to attract young people to the maritime professions, also assisted the Seafarer Crisis Action Team (SCAT) in the resolution of cases in their home countries.

34 The annual World Maritime Day celebration was held virtually in 2021 and a virtual forum on the theme "Seafarers: at the core of shipping's future" included a panel of four seafarers and was well-attended. A new initiative, lighting up key maritime buildings in "maritime blue" was launched around the world, with many landmark buildings lit up, including the IMO Headquarters in London. The associated 2021 parallel event, hosted by a volunteering Member State (South Africa) was postponed to 2022 as a result of the pandemic.

35 For the first time, the 2021 Awards Ceremony (International Maritime Prize and Bravery Awards) was organized in a hybrid format.

36 The Maritime Knowledge Centre (MKC) continued to increase its global reach and dissemination of unique IMO content while delivering services and content to its core users and international audience. Throughout the telecommuting and hybrid working practices of the ongoing COVID-19 pandemic, the MKC facilitated access to information through its digital products and services. In the absence of building access, the IMO Document archives were heavily used by MKC staff to search, access and deliver digitized IMO content in response to requests from core users and international students and researchers. The MKC's ongoing cooperation with UN Libraries and the collaborative buying power of the UNSEIAC (United Nations System Electronic Information Acquisitions Consortium) ensured remote access to a wide variety of key electronic resources and delivery of core digital content beyond MKC's usual budgetary capabilities. The MKC's Intranet site is the platform for Secretariat staff to access to the MKC's subscription resources remotely, while the MKC's Internet site provides access to IMO content for a wide variety of users. While the new "normal" for MKC services and collections must be more digital than before, collection maintenance within the physical space of the MKC has unearthed unique collections which are being catalogued to be visible and accessible.

Technical Cooperation

37 The COVID-19 pandemic continued to impact the technical cooperation work of IMO during 2021 due to ongoing suspension of official travel and staff availability. However, the Organization leveraged its new developed remote capability and continued to deliver technical assistance to its Member States, particularly developing countries. 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.

38 During 2021, IMO's technical cooperation work operated within a framework of regional and global programmes, as well as long-term thematic projects, assisting Member States to implement IMO instruments and supporting institutional capacity-building. This included training at the national, regional and global levels, provision of fellowships, conduct of needs assessments, gender specific training for women in the maritime sector in the developing countries; support to the Seafarer Crisis Action Team (SCAT); participating in a range of other webinars and online activities; and enhanced cooperation with the World Maritime University (WМУ) and the IMO International Maritime Law Institute (IMLI). Strategic work included: developing training material, e-learning, and online learning programmes; adapting the Integrated Technical Cooperation Programme (ITCP) for the 2022-2023 biennium to reflect IMO's thematic

priorities for technical cooperation and the new realities brought about by the COVID-19 pandemic; and commissioning and preparatory activities of newly launched thematic long-term projects, and delivery of ongoing programmes under the auspices of the technical divisions and the Department of Partnerships and Projects (DPP).

39 Details of the impact of COVID-19 on activities delivered in 2020 were reported to the seventy first session of the Technical Cooperation Committee (TC 71) which was held virtually in September 2021 (document TC 70/16). The Committee further approved a long-term strategy titled 'The Capacity Building Decade Strategy 2021-2030' to increase the effectiveness of IMO's technical cooperation programmes. The strategy will continue IMO's efforts to reform and streamline the delivery of technical assistance, as well as support Member States in maritime development through enhancing IMO's regional presence and strengthening the global training and development network. In this regard, the Committee approved the establishment of a new regional presence office in the Pacific. The Integrated Technical Cooperation Programme Annual Report for 2021, will be presented to TC 72, scheduled for October 2022.

40 2021 also had a strong focus on progressing IMO's Women in Maritime agenda. IMO continued supporting gender specific fellowships and initiatives of the Women in Maritime association network. IMO and the Women's International Shipping and Trading Association (WISTA) International launched the Women in Maritime survey to examine the proportion and distribution of women working in the maritime sector, and the IMO Council approved an International Day for Women in Maritime to be celebrated annually on 18 May to recognise and celebrate the role of women in the maritime sector.

41 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 and will become increasingly important in assisting Member States with their post-COVID-19 recovery.

Partnership and Projects

42 Despite the challenges of the global pandemic, in 2021, DPP mobilised an additional USD 7.28 million, with USD 19 million worth of project proposals in development, bringing the total XB portfolio of proposals for ongoing long-term projects to around USD 71 million.

43 DPP has developed a number of new partnerships, including IMO-UNEP Agreement on Maritime Innovation Forum, IMO-EBRD-RoK Exim Bank Cooperation, IMO CARES (Coordinated Actions to Reduce Emissions from Shipping) initiative - preparatory phase supported by the Kingdom of Saudi Arabia, an MoU between IMO and the Shanghai Municipal Government, IMO-Norad TEST (Transfer of Environmentally Sound Technologies) Biofouling project, and Australia and the Kingdom of Saudi Arabia as additional donors to the GloLitter project.

44 DPP has also made significant progress in delivering results from current projects.

- (1) IMO-RoK GHG SMART Programme delivered online training workshop to support the implementation of the Initial IMO GHG Strategy by building sufficient capacity, especially among the LDCs and SIDS.
- (2) GMN - The Global MTCC Network completed a range of pilot projects including technology demonstration projects, and its project "Capacity Building for Climate Mitigation in the Maritime Shipping Industry" to promote technologies and operations to improve energy efficiency in the maritime sector through a global network MTCCs, is nearing its successful completion.
- (3) GreenVoyage2050 supported countries, including LDCs and SIDS, to undertake assessments of maritime emissions in the national context, develop policy frameworks and National Action Plans (NAPs) to address GHG emissions from ships, and draft legislation to implement MARPOL Annex VI into national law.

- (4) The Zero- and Low-Carbon Innovation Forum brought together almost 1000 stakeholders from Member States, industry and International Financial Institutions and discussed technological and policy innovations awaiting the global maritime industry for the decades to come.

45 DPP made full use of Global Industry Alliance (GIA) initiative to partner with all maritime industries in finding solutions to the most pressing environmental issues, in specific with GIA to Support Low Carbon Shipping on shipping decarbonization and GIA for Marine Biosafety to tackle invasive species and greenhouse gas (GHG) emissions.

46 The first issue of DPP News, new rebranded as letter issue 01 was released in November with an aim to providing a cross-section of the Organizations' partnership and project work to a broader base of readers including official development assistance (ODA) contacts via the National Knowledge Partnership Officers (NKPOs).

47 DPP participated in COP 26 as part of the IMO team. DPP supported the IMO pavilion throughout COP 26, where next to IMO bilaterals, DPP major projects relevant to climate change were showcased. DPP also represented IMO and respective IMO Projects in various COP side events, which provided excellent visibility and opportunity to showcase IMO projects and the overall importance of decarbonization in the maritime industry to achieve SDG13 (Climate Action).

Member State Audit and Implementation Support

48 In 2021, various components of the IMO Member State Audit Scheme (IMSAS) have progressed with the conduct of follow-up audits, including comprehensive data analysis, and the endorsement by the Council of a comprehensive proposal by the Secretariat on the introduction of a remote audit mechanism, as an interim measure during the COVID-19 pandemic. Remote audits would be conducted according to the existing *Framework and procedures for the IMO Member State Audit Scheme*, without discarding the possibility of on-site audits and taking into account the specific circumstances in Member States to be audited. An updated overall audit schedule was submitted to the Assembly for the period 2022 to 2024, taking into account the successful conduct of the two first remote audits at the end of 2021.

49 With the support to the continuous work of correspondence and working groups under the Sub-Committee on Implementation of IMO Instruments, three Assembly resolutions on Survey Guidelines under the Harmonized System of Survey and Certification; Procedures for Port State Control; and Non-exhaustive list of obligations under instruments relevant to the IMO Instruments Implementation Code could be developed and adopted. The Sub-Committee, based on the analytical work of the Secretariat, also used for the first time the approved process and methodology to start providing structured feedback on IMSAS to the Committees and the Council for strategic planning and technical assistance.

50 Comprehensive outreach activities were carried out within the context of the cooperation with FAO and ILO to fight against Illegal, Unreported, Unregulated Fishing, and supporting the fulfilment of the entry into force criteria of the Cape Town Agreement by 11 October 2022, as well as for lecturing on matters related to IMSAS, PSC, casualty investigation and the monitoring of recognized organizations. Capacity building activities, including the development of E-learning capabilities in the fields of IMSAS auditors training and casualty investigation, were implemented.

51 Among other things, the MSA&IS Department covered allocated tasks associated with the Secretariat's involvement in the oversight of the management of the two IMO number schemes for ships, and company and registered owner; the implementation of quality systems (QSCS and IQARB); coordination among data systems, e.g. GISIS, EQUASIS and EMCIP; and external partnership in the fields marine casualty statistics and trend analysis and fishing vessel safety (e.g. Fisher Project).

STRATEGIC PLAN FOR 2018 – 2023

52 In 2017, the work on the development of a new Strategic Plan had 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. In December 2021, the Assembly adopted a revised Strategic Plan for the six-year period 2018 to 2023 (A.1149(32)), which now includes a new strategic direction on the human element, including a reference to gender equality.

53 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.

54 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: Address the human element
- SD 7: Ensure regulatory effectiveness
- SD 8: Ensure organizational effectiveness

FINANCIAL MANAGEMENT

Risk

55 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. However, at its 112th and 113th sessions in 2014, the Council decided that the RMF should only be applied to the Secretariat's Business Plan and subsequently approved the revised RMF for future iterations of the Secretariat's risk management exercise.

56 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

57 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 consist of the Secretary-General and six Divisional Directors and two Departmental Head/Chief. 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

58 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 nongovernmental 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

59 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.

60 The assertion above is supported by: i) the budget approved by the Assembly for the 2020-2021 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 2021 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

61 Despite the ongoing Covid-19 restrictions in 2021, the Organization continued to adapt and focus on the effective implementation of its programmatic activities. Below are the highlights of the financial outcomes for 2021.

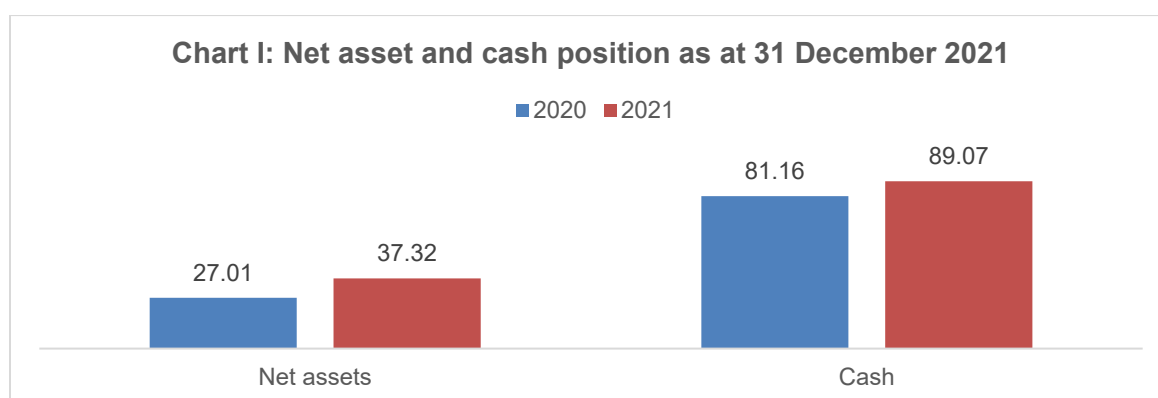
Financial analysis

62 The financial ratios for 2021 and 2020 as summarized below indicate a healthy overall financial position for IMO in terms of solvency and liquidity. The ratios for assets over liabilities are high, which are good indicators of solvency, i.e., the ability of the Organization to pay off both its current and long-term liabilities. The cash ratio is very high as well reflecting the fact that cash and cash equivalents accounted for 94.07% of the total assets and indicating that there are adequate current liquid assets to cover the current liabilities.

Description	2021	2020
Current Ratio - Current assets: current liabilities	14.02	9.95
Total assets: Total liabilities	1.65	1.45
Cash Ratio - Cash and short-term investments: current liabilities	13.29	9.46
Quick Ratio - Cash, short-term investments, and receivables: current liabilities	13.44	9.55

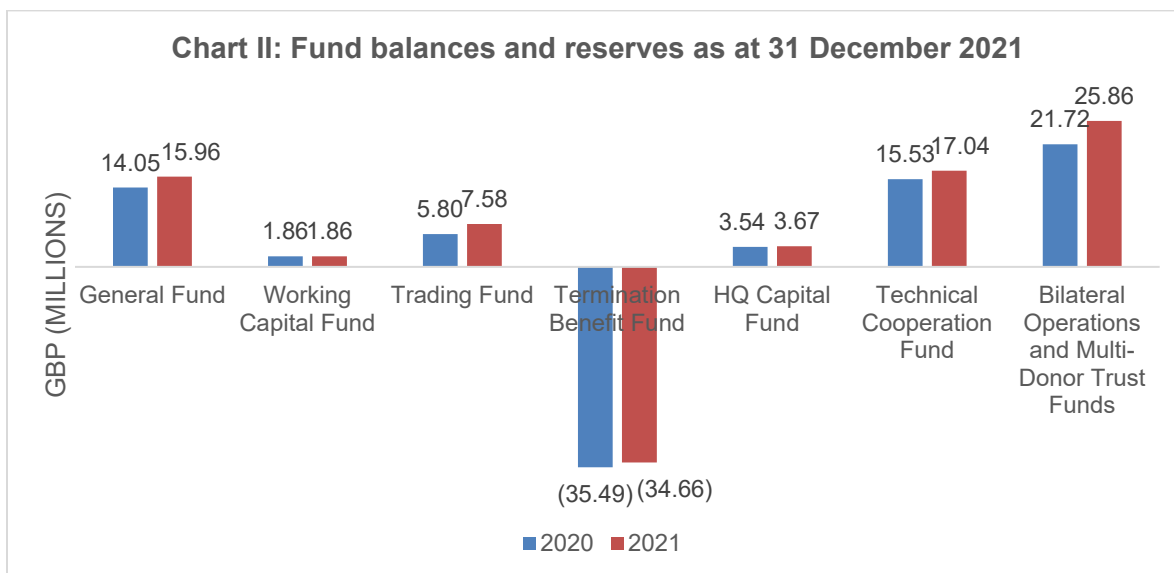
63 Cash and cash equivalents increased by £7.91 million in 2021, which was mainly generated by higher revenue from commercial activities, cash receipts from bilateral operations and multi-trust fund activities, as well as the receipt of the refund for the recoverable taxes.

64 The closing net asset position of £37.32 million (2020: £27.01 million) is presented in Statement I and in Chart I below. It represents the fund balances for the Organization as a whole. The net asset position increased by £10.32 million (2020: £5.46 million), representing the combined effect of the net operating surplus of £7.94 million, the currency exchange gain of £0.07 million, and the actuarial gain of £2.31 million.



65 It should be noted that the funds available to the Organization for future use are not without restrictions. Of the overall closing balance of £37.32 million (2020: £27.01 million), 69.29% or £25.86 million (2020: £21.72 million) relates to multi-donor trust funds and bilateral agreements with donors, as shown in the below chart. The utilization of these funds is restricted by the Terms of Reference of the fund concerned and the contractual agreement with the donor. Note 2.13 in the financial statements provides further details of the fund balances by major funds.

66 Chart II highlights that the General Fund, Working Capital Fund, the Headquarters Capital Fund, and the Technical Cooperation Fund are all in a relatively strong financial position. Much of the surplus in the Trading Fund will, in due course, be transferred to the Technical Cooperation Fund in accordance with Assembly Resolution A.1112(30). The large deficit under the Termination Benefit Fund of £34.66 million (2020: £35.49 million) accounted for the unfunded long-term liability of the After Service Health Insurance (ASHI) which stands at £42.56 million as at 31 December 2021 (2020: £43.96 million). The liability decreased in 2021 due to favourable results of the actuarial valuation. Also, the Assembly has set aside funds of £9.23 million to meet these liabilities through various Assembly Resolutions, however, the majority of these liabilities remains unfunded.



67 The increase in current assets is also attributable to a net increase in donor and other receivables by £0.71 million; representing the amount due from donors for agreements signed at year-end and payments made in advance, offset by a reduction in advances to subcontractors and implementing partners. Inventories comprising the Organization's stock of publications held for resale decreased by £0.05 million in 2021 to £0.42 million (2020: £0.47 million). This decrease is partially due to provisions that cover not only titles that were superseded in a given year, but also the feasibility of sales of inventory holdings for the foreseeable future.

68 The total value of property plant and equipment, and intangible assets has decreased by £0.53 million to £0.72 million (2020: £1.25 million). The decrease during the year is the net effect of depreciation and amortization of £0.68 million and acquisitions of £0.15 million, mainly for communications and IT equipment.

69 There has been an overall decrease of 21.90% in the Organization's current liabilities from £8.58 million to £6.70 million. The decrease is mostly attributable to lower contributions received in advance from Member States amounting to £0.87 million (2020: £2.10 million).

70 Liabilities relating to employee benefits are mainly for post-employment obligations for After Service Health Insurance (ASHI), repatriation benefits, and accrued annual leave. These liabilities were subject to actuarial revaluation, an exercise the Organization conducts every two years.

71 The actuarial valuation carried out as at 31 December 2021 resulted in a 0.79% decrease in the long-term employee benefits from £51.06 million to £50.66 million due to the actuarial gains offset by the increase in the annual leave carry forward.

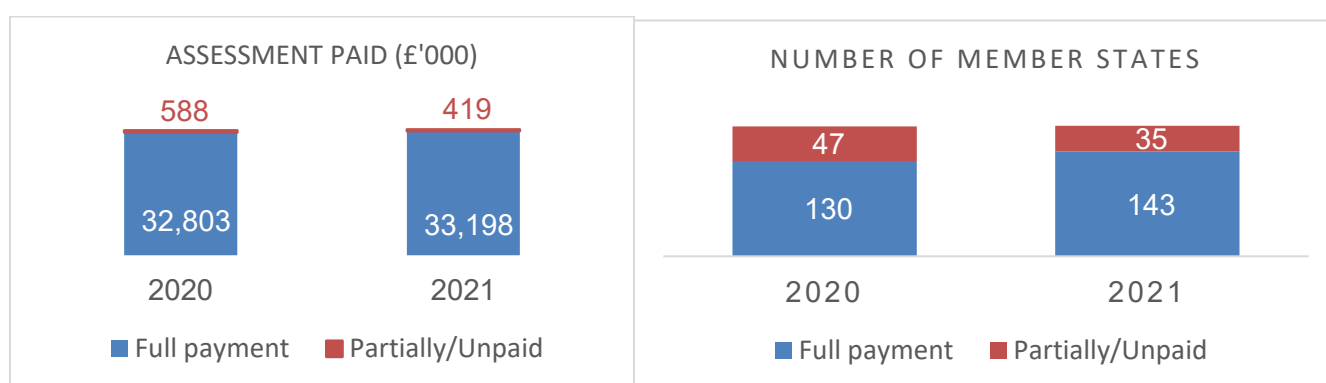
72 The main sources of revenue at IMO are assessed contributions, donor voluntary contributions, and revenue from commercial activities. Assessed contributions from Member States make up 58.74%

(2020: 59.43%) of total revenue, followed by donor voluntary contributions at 18.44% (2020: 21.77%), commercial activities at 22.39% (2020: 18.15%), and other revenue at 0.43% (2020: 0.65%).

73 Overall, total revenue for 2021 was £57.23 million, a net improvement of £1.04 million or 1.86% from 2020 (£56.19 million) as a result of several factors as detailed below.

74 The assessed contribution revenue represents the total assessments for the year as approved by the Assembly at its thirty-first session. In addition, Botswana became a Member in 2021, bringing the total Member States to 178 as at 31 December 2021. The assessment collection rate during the years remains consistently stable with 99.27% (£32.29 million) and 98.72% (£32.97 million) of the assessed contributions for 2021 and 2020 respectively. The chart below shows further analysis on the amount and number of Member States with full payment for 2021 and 2020.

Chart III: Status of assessment collections



75 Donor contributions decreased by 13.69% to £10.56 million (2020: £12.23 million). Revenue from donors is recognized on the signature of the donor agreement, and for agreements with conditions, when these conditions are met. It usually fluctuates from year to year due to the timing of contributions and the discharge of obligations for agreements with specified conditions.

76 Revenue from commercial activities increased by 25.62% to £12.81 million (2020: £10.20 million) due to an improvement in publication sales despite the continuing challenges of the Covid-19 pandemic, indicating a recovery of the market for IMO publications. New editions of major titles, originally due to be published in 2020, were re-programmed to 2021 due to the postponement of IMO meetings.

77 Other revenue was £0.25 million in 2021, a decrease of 33.13% from the prior year (2020: £0.37 million). This decrease was caused by lower interest earned due to the adverse economic situation of the financial markets brought about by the pandemic.

78 Total operating expenses for 2021 amounted to £49.29 million compared with £49.78 million in 2020, a net decrease of £0.49 million (0.98%). This slight reduction in the total operating expenses is the net effect of: increases in building expenses relating to COVID-19 preventive measures in addition to expenses due to the higher sale of publications; and decreases due to the consolidation of building maintenance services under one contractor that was fully implemented in 2021 as well as lower spending on travel, fellowships, and training and development due to Covid-19 travel restrictions.

79 The overall financial performance increased by £2.55 million from the prior year amounting to a surplus of £8.01 million (2020: £5.46 million) which is the combined effect of the increase of total revenue by £1.04 million, the decrease of total expenses by £0.49 million, as well as the increase in the currency exchange gain by £1.02 million from 2020.

80 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

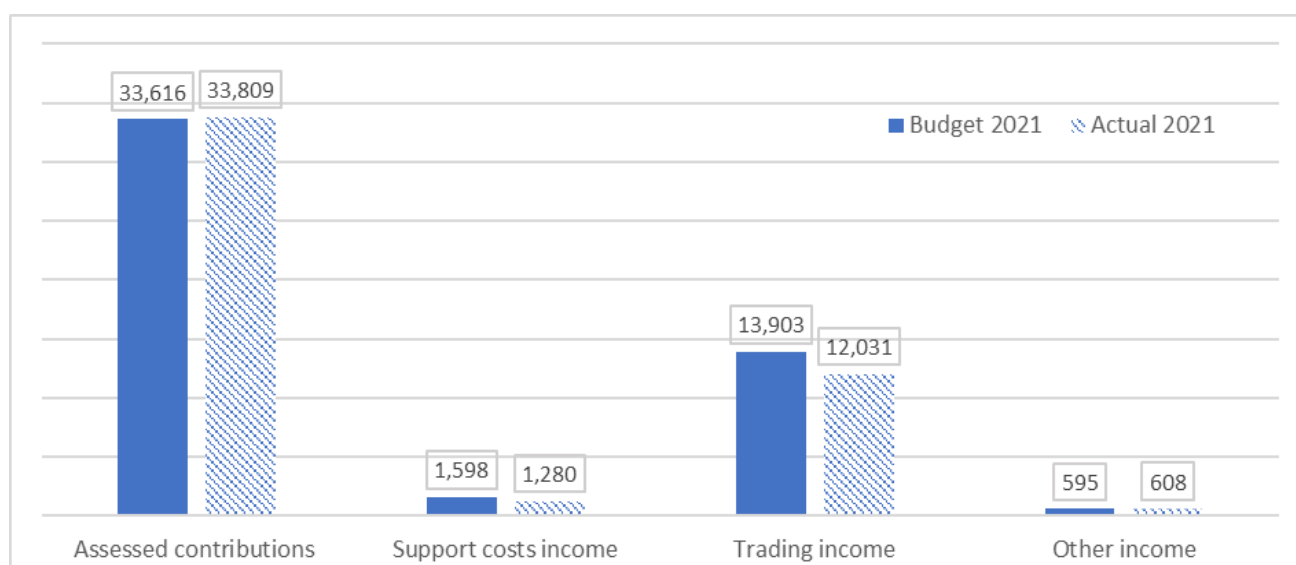
measurement and accounting from the budgetary performance of receipts and payments reflected in Statement V(a) which is prepared on a modified cash/accrual basis. For example, the budget is prepared to reflect the purchase of new property, plant and equipment rather than the depreciation charge over their useful life. Similarly, the budget approved by the Assembly does not cover extra-budgetary or donor funds, while the financial statements cover the entirety of the Organization's financial position and performance. The difference in amounts between the two statements is reconciled to the cash flow statement (Statement IV), that reconciliation is provided in Note 5 to the Financial Statements. For instance, the assessed contribution (i.e., invoiced amounts of £33.62 million) for the year is recognized in full as revenue in Statement II, whereas actual amounts received, including those related to assessments for prior years (£33.81 million) are shown as Actual in Statement V(a). Likewise, while expense in Statement II includes £0.68 million (2020: £0.77 million) for depreciation and amortization on an accrual basis, is not included in Statement V(a) which includes the cost of purchased assets instead.

Budget performance

81 The 31st session of the Assembly held in December 2019 adopted resolution A.1132(31) on the Results-Based budget for the 2020-2021 biennium, in which it approved the budget for the financial periods 2020 and 2021 for the Organization's core funds. This included an appropriation for 2021 of £51,889,000 to be funded in part through projected income of £51,453,500. As a result of delays to the work programme during 2020 arising from the COVID-19 pandemic, the IMO Council approved the carry forward of uncommitted funds from 2020 to 2021 which totalled £1.93 million. In addition, regular budgetary transfers related to committed expenditure were also carried forward. Following these transfers, the final appropriation for 2021 was £55,456,362. During 2021, the Organization's work, and consequently its budgetary performance, has continued to be impacted by the pandemic, as described in the following paragraphs.

82 The Organization's major sources of budgeted income are shown in the chart below, which shows actual performance in 2021 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.

Chart IV: Budget income against actual Income by type (in £'000)



83 The assessed contributions of £33.8 million represents amounts received of £33.4 million in relation to the 2021 assessment and £0.4 million towards the settlement of arrears from prior years. For 2021 the total budgeted assessment was £33.6 million. In the context of the ongoing COVID-19 pandemic, maintaining a collection rate of 99% for 2021 represents a strong degree of commitment from IMO's Member States to supporting its work in such uncertain times.

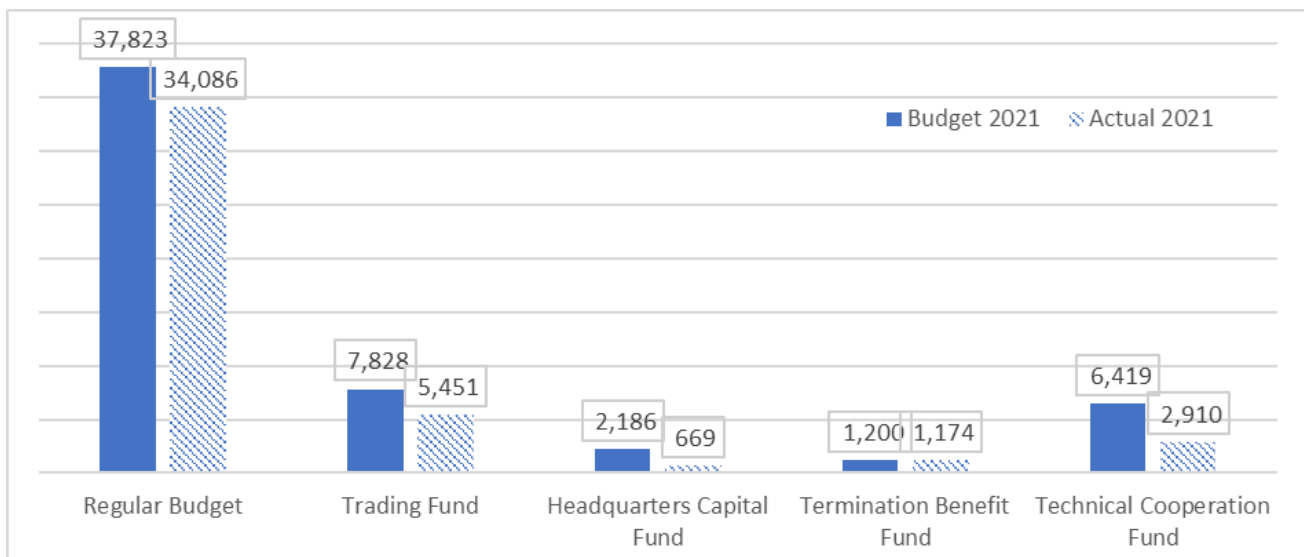
84 For 2021, Trading Fund income of £12 million was below the amount budgeted by £1.87 million (13%). While falling below the original budget target, this nevertheless marks a rapid recovery from 2020 revenue, with mitigating measures put in place to address supply side disruptions, along with the continuation of a trend towards digital sales. The 2021 results also reflect the resumption of IMO’s meetings programme, which in turn allowed for the release of a number of new titles such as IMDG Code (2020 Edition), IMDG Code Supplement (2020 Edition), Load Lines Convention 1966 (2021 edition) and CSS Code.

85 The Organization’s catering function did not see the same level of recovery in sales during 2021, as restrictions as a result of the pandemic meant that the cafeteria remained closed for much of the year. Nevertheless, later in the year as restrictions were eased, it was possible to host a number of external events, and the cafeteria re-opened, providing a more positive outlook for 2022 and beyond. during the year was a recovery from 2020 with the re-opening of the function.

86 Support cost income earned is based directly on delivery of donor-funded and Trading Fund work, and consequently as delivery rates fell as a result of the pandemic, so too did support cost income. The Organization’s other income represents investment income, cost recovery from other Organizations and rental income from sub-letting of parts of the Headquarters building – these various sources contributed £0.6 million in revenue, 2% higher than budgeted, primarily as a result of additional sub-lease income.

87 Considering now the budget performance from an expenditure perspective, the actual expenditure for each Fund against the final 2021 budget in shown in the chart below:

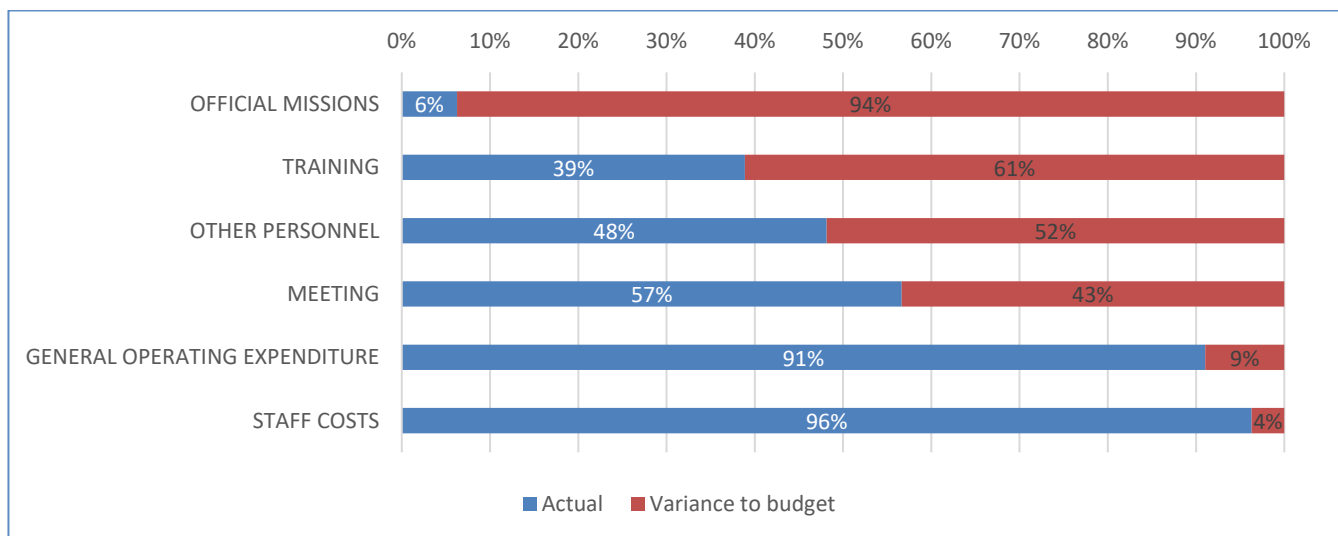
Chart V: Budget expenditure against actual expenditure by Fund (in £’000)



88 The overall expenditure for 2021, as shown in Statement Va was £44.29 million, resulting in a variance of £11.17 million below the final budget for 2021. As a matter of principle, discretionary expenditure has been kept to a minimum during 2021, in addition to areas such as mission travel where cost savings have arisen naturally as a result of the impact of the pandemic. The salient points relating to the performance are set out in the following paragraphs.

89 For the regular budget, the expenditure profile across the main cost categories is shown in the chart below.

Chart VI: 2021 regular budget variance analysis to budget



Note: The figure is excluded the actual discharge of the 2020 commitment in 2021 amounted to £111,775.

90 The key highlights are summarized below:

- Continuation of adapted meetings programme and delivery – following the initial impact of the pandemic in 2020, IMO’s meetings programme has continued to be held in a virtual format throughout 2021. The reduced number of interpretation days required for the virtual meetings and related costs together with lower than expected volumes of documents for translation (mainly due to cancellation of some Sub-Committee meetings), has resulted in budgetary savings. These budgetary savings were partially offset with the additional costs of the KUDO platform, as well as necessary additional operational costs, which have been used to provide the virtual meetings with simultaneous interpretation capabilities. Uncommitted funds from 2020 had been carried forward as a contingency, although in practice these additional resources were not required;
- Adaptation of the IMO Member State Audit Scheme (IMSAS) to remote audits – A large part of the Organization’s mission travel budget relates to the IMSAS audit programme. As part of the biennial plan for 2020-21, for 2021 25 audits were originally planned with 20 follow-up audits. Due to restrictions on travel, the onsite audits were greatly restricted – as mentioned earlier, work continued on a virtual basis wherever practicable, but the fact that audits could not take place physically led to a consequent reduction in mission travel expenditure, the single largest reason for the variance in this area;
- Adapting to the new ways of workings - following the continuation of the impact of the pandemic during 2021, the Organization has continued to adapt to the evolving situation by expanding the adoption of cloud based computing and remote access to allow flexibility and drive efficiencies. Examples have included the greater use of digital solutions such as e-signature and workflows and reduction in printing costs and storage requirements. Throughout the 2020-2021 biennium, the Organization’s senior management have been conscious of the financial pressures facing IMO’s Member States, and consequently have taken every available measure to make efficiencies in all cost areas – with respect to staff costs and other personnel, for example, reallocation of existing resources has been made wherever possible to meet changing needs and priorities as some elements of the work programme are delayed while others become higher priority, which in turn has allowed for savings in other personnel. The number of separations for 2021 returned to the longer-term average, with many resulting from individual circumstances in addition to staff reaching the mandatory age of separation. The Organization’s training plan and classroom-based training has been impacted which is represented by the under-utilisation of the

training budget, with alternative e-learning methods of training delivery being explored and a new e-learning platform being piloted during the year.

91 The Trading Fund made budgetary savings of £2.38 million (30%). Much of the Trading Fund's expenditure relates to the cost of sales of publications, and falling revenues lead directly to a reduction in cost – in addition, efficiency measures were introduced wherever possible, and the continuing trend towards digital sales also leads to reduced cost. The Organization's eCommerce system was planned to be replaced during 2020-2021, however the initial impact of the pandemic and then a change in requirements to ensure that the new system was future-proof and reflected the digital trend, has delayed that work to 2022-2023. This in turn led to a reduction in expenditure. For the Catering function, the closure of the cafeteria and the absence of external functions for much of the year led to reductions in expenditure levels.

92 The expenditure for the Headquarters Capital Fund was materially impacted by two large projects. The first of these is the project underway to refresh the Audio-Visual Equipment in the Headquarters building – while initially planned for 2020, work only began during 2021, to be completed during 2022. This audio-visual upgrade project represents £1.39 million (64%) of the variance against the final budget for 2021 as expenditure is not recognised until the work is completed. The second large project was the transition of IMO's IT infrastructure from on-site servers to a cloud-based solution, which will enable greater flexibility and drive efficiencies with a consumption-based model. From a technical perspective this change also enhanced the Organization's cyber-security and resilience. From a budgetary perspective, the move to a cloud-based model leads to a consequent reduction in the need for capital expenditure, and an increase in operating expenditure, resulting in an under-utilisation of the budget of around £0.3 million. The remainder of the variance was due to the postponement of a number of building projects to 2022 due to ongoing logistical and access issues during the pandemic.

93 The final budget for Technical Cooperation (TC) activities financed from the Technical Cooperation Fund comprised the originally approved appropriation for 2021 of £5,575,000 and the budget brought forward from 2020 of £844,159 to finance some postponed activities. With the COVID-19 pandemic continuing during 2021, travel restrictions resulted in a significant reduction in in-person activities. Despite the impact of this, IMO took advantage of its alternative virtual delivery methods to continue delivering components of the ITCP during 2021 and reached a 65% activity delivery rate. This included delivery of online training courses and workshops, the development of new e-learning courses for the future, as well as funding of fellowships for students at the World Maritime University (WMU) and the IMO International Maritime Law Institute (IMLI). While there were development costs incurred, virtual activities are often delivered at no or small cost compared with in-person activities, which resulted in lower 2021 budget expenditure. Further, continuing restrictions and limited availability of IMO staff and Member States due to COVID-19 illnesses, resulted in some activities being cancelled or postponed to 2022. The overall financial impact was a £3.5 million (55%) under-utilisation against the 2021 budget, with £1.9 million of the activities initiated late in 2021 being carried forward for delivery in early 2022.

28 February 2022

Dr. Agung Firman Sampurna,
Chairman
Audit Board of the Republic of Indonesia
Jl. Gatot Subroto 31, Jakarta 10210
Indonesia

Letter of Transmittal

Dear Dr. Sampurna,

Pursuant to financial regulation 11.2, we have the honour to submit the financial statements for the year ended 31 December 2021 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 2021, which does not form a part of the financial statements.

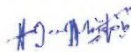
We confirm, to the best of our knowledge and belief, and having made appropriate enquiries with other officials of the Organization, the following representations in connection with your audit of the financial statements of the International Maritime Organization for the year ended 31 December 2021.

We are responsible for preparing financial statements that properly present the activities of the Organization, and for making accurate representations to you. All accounting records and related information have been made available for the purpose of your audit, and all 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.

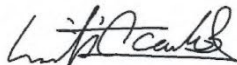
- 1 The financial statements have been prepared and presented in accordance with:
 - a. the International Public Sector Accounting Standards;
 - b. the Financial Regulations and Financial Rules of the Organization; and
 - c. the accounting policies of the Organization, as summarized in note 1 to the 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 receivables have been included in the financial statements and represent valid claims against debtors or future economic benefits to the Organization. Apart from the estimated uncollectable contributions receivable as presented in note 2.2, we expect all significant accounts receivable at 31 December 2021 to be collected.
- 6 The inventories, property, plant and equipment, and the intangible assets 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 2021, have been disclosed in 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 2021 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 is 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 known events since the IMO reporting date of 31 December 2021 that necessitate revision of the information presented in the financial statements thereto.



Vincent Job
Acting Director, Administrative Division



Kitack Lim
Secretary-General

28 February 2022

**STATEMENT ON INTERNAL CONTROL
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 principal risks, evaluate the nature and extent of those risks and 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 2021, and is up to the date of the approval of the Organization's 2021 financial statements.

Risk management and internal control

5. The Organization operates a Risk Management Framework, developed and approved by the Council. Under this Framework, the Organization is required to conduct a biennial risk assessment exercise to identify and analyse risks to the delivery of the Secretariat's Business Plan, to develop and implement mitigation measures where those risks are considered to be unacceptably high and report the outcome of this exercise to the Council. Between these reports and throughout the biennium, the application of the principles of risk management and the mitigation of risks to the extent practically possible is an ongoing process at the Organization. The outcome of both the risk assessment exercise and the ongoing monitoring of the risks throughout the biennium informs the assessments of the effectiveness of the established system of internal control.

Review of effectiveness

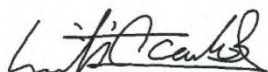
6. The review of the effectiveness of the system of internal control is also informed by:
- senior managers, each of whom has a role to play in the system of internal control and has been assigned specific delegations within the framework provided by the Financial Regulations and Financial Rules, Procurement 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 2021 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 Chairman of the Audit Board of the Republic of Indonesia, who provides me with a management letter identifying any issues of control identified during their annual audit and provides the Council and Assembly with an opinion on the accuracy of the Organization's financial statements; and
 - the Council, which reviews the outcomes of the biennial risk assessment exercise and identifies any action which it believes is necessary to address the findings thereof.
7. For the year 2021, 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 generally had an effective system of internal control for the year ended 31 December 2021, and up to the date of the approval of the financial statements for that year.



Vincent Job
Acting Director, Administrative Division



Kitack Lim
Secretary-General

28 February 2022

REPORT OF THE EXTERNAL AUDITOR: OPINION ON THE ORGANIZATION'S FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021



**CHAIRPERSON
AUDIT BOARD
REPUBLIC OF INDONESIA**

Letter from the External Auditor to the Chair of the Council of the International Maritime Organization


Num.: 59/S/I/05/2022

The Chair of the Council
International Maritime Organization
4, Albert Embankment London SE1 7SR
United Kingdom

Dear Chair,

In accordance with the Article XII of the International Maritime Organization's Financial Regulations and Financial Rules, I have the honour to present this Audit Report to the Council of the International Maritime Organization for onward transmission to the Assembly. This report comprises the External Auditor Opinion, Long-Form Report and the Audited Financial Statements of the International Maritime Organization for the year ended 31 December 2021.

A handwritten signature in blue ink, appearing to read 'Isma Yatun'.

Dr. Isma Yatun, CSFA., CFrA
Chairperson of the Audit Board of the Republic of Indonesia 
External Auditor

Jakarta, Indonesia
May 30, 2022



AUDIT OPINION
CERTIFICATE OF THE EXTERNAL AUDITOR
ON THE FINANCIAL STATEMENTS OF
THE INTERNATIONAL MARITIME ORGANIZATION
AS AT AND FOR THE FINANCIAL PERIOD ENDED
31 DECEMBER 2021

To the Council of the International Maritime Organization

Opinion

We have audited the financial statements of the International Maritime Organization (the Organization), which comprise the statement of financial position as at 31 December 2021, the statement of financial performance, the statement of changes in net assets, the statement of cash flows, and the statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position as at 31 December 2021, and financial performance and cash flows for the year ended of the Organization in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization, in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

The Council as *Those Charged with Governance* is responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Information Other than the Financial Statements and the Auditor's Report thereon

The Organization is responsible for the other information, which comprises the financial report for the year ended 31 December 2021, contained below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether this other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in such other information, we are required to report that fact. We have nothing to report in this regard.

Report on Other Legal and Regulatory Requirements

Further, in our opinion, the transactions of the Organization 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 Organization's Financial Regulations and Financial Rules.

In accordance with Article XII of the Financial Regulations and Financial Rules, we also issued a long-form report on our audit of the Organization.



Dr. Agus Joko Pramono, M.Acc, CA, CPA
Vice Chairman of the Audit Board of the Republic of Indonesia
External Auditor

Jakarta, Indonesia
30 May 2022



INTERNATIONAL MARITIME ORGANIZATION

FINANCIAL STATEMENTS

31 DECEMBER 2021

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT I
STATEMENT OF FINANCIAL POSITION
as at 31 December 2021
(GBP)

	Note	IMO 2021	IMO 2020	Consolidated 2021	Consolidated 2020 (restated)
ASSETS					
Current assets					
Cash and cash equivalents	2.1	89,070,642	81,156,566	107,012,559	98,897,137
Contributions receivable	2.2	991,777	789,049	1,009,189	798,745
Inventories	2.3	416,418	474,945	471,805	531,527
Advances to sub-contractors and partners	2.4	563,420	617,261	489,220	617,261
Other receivables	2.5	2,926,815	2,363,641	3,595,296	3,687,391
Total current assets		93,969,072	85,401,462	112,578,069	104,532,061
Non-current assets					
Investments	2.6	-	-	5,718,806	2,856,153
Property, plant and equipment	2.7	712,511	1,239,061	1,008,408	1,472,881
Intangible assets	2.8	2,594	8,998	37,193	102,444
Total non-current assets		715,105	1,248,059	6,764,407	4,431,478
TOTAL ASSETS		94,684,177	86,649,521	119,342,476	108,963,539
LIABILITIES					
Current liabilities					
Payables and accruals	2.9	6,289,791	8,192,178	12,454,289	13,734,690
Provisions for warranties	2.10	63,032	53,813	63,032	53,813
Employee benefits current	2.11	349,892	234,508	388,672	280,074
Finance lease liabilities current	2.12	-	101,825	-	101,825
Total current liabilities		6,702,715	8,582,324	12,905,993	14,170,402
Non-current liabilities					
Employee benefits non-current	2.11	50,657,697	51,060,884	52,249,318	52,580,486
Total non-current liabilities		50,657,697	51,060,884	52,249,318	52,580,486
TOTAL LIABILITIES		57,360,412	59,643,208	65,155,311	66,750,888
NET ASSETS		37,323,765	27,006,313	54,187,165	42,212,651
Fund balances and reserves	2.13	29,317,508	21,547,287	42,317,614	35,824,354
Surplus for the year		8,006,257	5,459,026	11,869,551	6,388,297
TOTAL FUND BALANCES AND RESERVES	2.13	37,323,765	27,006,313	54,187,165	42,212,651

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

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 December 2021
(GBP)

	Note	IMO		Consolidated	
		2021	2020	2021	2020 (restated)
REVENUE					
Assessed contributions	3.1	33,616,939	33,391,000	33,616,939	33,391,000
Donor voluntary contributions	3.2	10,555,607	12,230,298	16,790,794	18,705,430
Commercial activities	3.3	12,811,143	10,198,148	14,672,407	11,572,535
Fellowships	3.4	-	-	6,022,656	5,828,086
Other revenue	3.5	245,976	367,818	901,435	587,736
TOTAL REVENUE		57,229,665	56,187,264	72,004,231	70,084,787
EXPENSES					
Staff and other personnel costs	4.1	37,129,534	36,797,077	46,070,779	45,428,589
Travel expenses	4.2	223,183	349,878	365,117	564,264
Supplies, consumables and other running costs	4.3	7,336,615	6,223,367	8,184,065	7,035,023
Costs related to trading activities	4.4	1,199,835	1,009,217	1,205,164	1,013,974
Outsourced services	4.5	669,744	1,615,515	1,063,584	2,031,729
Training and development	4.6	1,187,736	1,898,279	2,613,402	2,532,867
Depreciation, amortization and impairment	4.7	754,167	1,139,996	928,117	1,350,358
Return of unspent funds	4.8	136,459	257,778	136,459	257,778
Other expenses	4.9	653,364	487,857	897,365	617,118
TOTAL EXPENSES		49,290,637	49,778,964	61,464,052	60,831,700
OPERATING SURPLUS FOR THE YEAR		7,939,028	6,408,300	10,540,179	9,253,087
Currency exchange gain / (loss)	4.10	67,229	(949,274)	1,329,372	(2,864,790)
NET SURPLUS FOR THE YEAR		8,006,257	5,459,026	11,869,551	6,388,297

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 2021
(GBP)

	Note	IMO		Consolidated	
		2021	2020	2021	2020 (restated)
Opening balance 1 January		27,006,313	21,547,287	42,212,651	35,285,260
Surplus for the year	6.2	8,006,257	5,459,026	11,869,551	6,388,297
Other movements					
Transfers		-	-	-	(697,681)
Actuarial gain for the year	2.11	2,311,195	-	2,311,195	-
Exchange rate effect	10	-	-	(2,206,232)	1,236,775
Total movement for the year		10,317,452	5,459,026	11,974,514	6,927,391
TOTAL NET ASSETS		37,323,765	27,006,313	54,187,165	42,212,651

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

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT IV
STATEMENT OF CASH FLOWS
for the year ended 31 December 2021
(GBP)

	IMO		Consolidated	
	2021	2020	2021	2020 (restated)
Cash flow from operating activities:				
Surplus for the period	8,006,257	5,459,026	11,869,551	6,388,297
Depreciation of property, plant and equipment ¹	678,594	659,290	688,183	898,600
Net (gain)/loss on disposal of Property, Plant and Equipment	-	(27,287)	-	(32,187)
Amortization of intangible assets ¹	6,404	106,601	65,251	163,334
Effect of currency exchange on cash and cash equivalent	160,661	(49,612)	(1,268,538)	1,912,098
(Increase)/decrease in contributions receivable	(202,728)	(44,884)	(210,444)	(41,462)
(Increase)/decrease in inventories	58,527	586,420	59,722	577,415
(Increase)/decrease in advances to sub-contractors and partners	53,841	273,242	128,041	273,242
(Increase)/decrease in other receivables	(563,174)	(51,353)	92,095	(410,334)
Increase/(decrease) in payables and accruals	(1,902,387)	(1,298,795)	(1,280,401)	(2,511,171)
Increase/(decrease) in provisions for warranties	9,219	(29,039)	9,219	(29,039)
Increase/(decrease) in employee benefits current	115,384	(62,770)	108,598	(45,434)
Increase/(decrease) in employee benefits non-current	(403,187)	2,241,245	(331,168)	2,553,144
Net cash flows from operating activities	6,017,411	7,762,084	9,930,109	9,696,503
Cash flows from investing activities:				
Investments	-	-	(2,862,653)	(86,552)
Purchases of property, plant and equipment ¹	(152,044)	(308,373)	(223,710)	(562,560)
Purchases of intangible assets ¹	-	(3,398)	-	(49,461)
Proceeds from sale of property, plant and equipment	-	27,287	-	32,187
Net cash flows from investing activities	(152,044)	(284,484)	(3,086,363)	(666,386)
Cash flows from financing activities:				
(Decrease) in finance lease liabilities current	(101,825)	(49,888)	(101,825)	(49,888)
(Decrease) in finance lease liabilities non-current	-	(101,825)	-	(101,825)
Net cash flows from financing activities	(101,825)	(151,713)	(101,825)	(151,713)
Other movements in net assets	2,311,195	-	2,311,195	(697,681)
Gain/(loss) on exchange on consolidation	-	-	(2,206,232)	1,236,775
Effect of exchange rate changes on cash and cash equivalents	(160,661)	49,612	1,268,538	(1,912,098)
Net increase in cash and cash equivalents	7,914,076	7,375,499	8,115,422	7,505,400
Cash and cash equivalents at beginning of the year	81,156,566	73,781,067	98,897,137	91,391,737
Cash and cash equivalents at end of the year	89,070,642	81,156,566	107,012,559	98,897,137

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

¹ 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 V(a)
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS-IMO
for the year ended 31 December 2021
(GBP)

	Budget Amounts ²				Actual Amounts on Comparable Basis ²		Variances: Final Budget and Actual Amounts	
	Original 2021	Original 2020	Final 2021	Final 2020	2021	2020	2021	2020
Receipts¹								
Assessed contributions	33,616,000	33,391,000	33,616,000	33,391,000	33,809,202	33,141,500	193,202	(249,500)
Support costs income	1,598,000	1,442,000	1,598,000	1,442,000	1,280,075	1,130,506	(317,925)	(311,494)
Trading income	13,903,000	14,056,000	13,903,000	14,056,000	12,030,942	9,423,154	(1,872,058)	(4,632,846)
Other income	595,000	518,000	595,000	518,000	607,688	668,940	12,688	150,940
Funds Transfer	1,741,500	2,416,000	1,741,500	2,416,000	1,741,500	2,416,000	-	-
Total receipts	51,453,500	51,823,000	51,453,500	51,823,000	49,469,407	46,780,100	(1,984,093)	(5,042,900)
Payments^{1 and 3}								
Regular budget strategic results ⁴	36,486,000	36,214,000	37,822,889	36,340,597	34,086,028	33,949,417	3,736,861	2,391,180
Trading	7,256,000	7,905,000	7,827,838	7,974,139	5,451,370	4,806,659	2,376,468	3,167,480
Headquarters capital	1,372,000	2,355,000	2,186,476	2,620,225	669,143	1,114,277	1,517,333	1,505,948
Termination/separation	1,200,000	1,175,000	1,200,000	1,175,000	1,174,009	1,006,137	25,991	168,863
Technical cooperation (TC Fund)	5,575,000	5,206,000	6,419,159	5,567,020	2,909,620	2,428,309	3,509,539	3,138,711
Total payments	51,889,000	52,855,000	55,456,362	53,676,981	44,290,170	43,304,799	11,166,192	10,372,182
NET	(435,500)	(1,032,000)	(4,002,862)	(1,853,981)	5,179,237	3,475,301	9,182,099	5,329,282

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

² Budget amounts are the modified accrual basis (IMO) and the accrual basis (WMU & IMLI) as approved by the respective governing bodies (IMO, WMU and IMLI) and the actual amounts are on the same basis as the budget amounts.

³ The Final Budget for 2021 includes additional budget transfers for commitments made in prior years discharged in 2021 totalling £1,637,362 as detailed in Note 7.1.

⁴ The Final Budget for 2021 incorporates transfers approved by the IMO Council in line with the Organization's Financial Regulations. The Regular budget and the Headquarters Capital Fund budget include transfers of unspent funds from 2020 to 2021 of £778,000 and £1,152,000 respectively for specific items of expenditure which were delayed as a result of the COVID-19 pandemic. In addition, the Final Budgets for 2021 incorporate a transfer of £466,000 from the Headquarters Capital Fund to the Regular budget.

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

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT V(b)
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS CONSOLIDATED
for the year ended 31 December 2021
(GBP)

	Budget Amounts ²				Actual Amounts on Comparable Basis ²		Variances: Final Budget and Actual Amounts	
	Original 2021	Original 2020	Final 2021	Final 2020	2021	2020	2021	2020
Receipts¹								
Assessed contributions	33,616,000	33,391,000	33,616,000	33,391,000	33,809,202	33,141,500	193,202	(249,500)
Support costs income	1,598,000	1,442,000	1,598,000	1,442,000	1,280,075	1,130,506	(317,925)	(311,494)
Trading income	13,903,000	14,056,000	13,903,000	14,056,000	12,030,942	9,423,154	(1,872,058)	(4,632,846)
Other income	595,000	518,000	595,000	518,000	607,688	668,940	12,688	150,940
Funds Transfer	1,741,500	2,416,000	1,741,500	2,416,000	1,741,500	2,416,000	-	-
<i>IMO Subtotal</i>	<i>51,453,500</i>	<i>51,823,000</i>	<i>51,453,500</i>	<i>51,823,000</i>	<i>49,469,407</i>	<i>46,780,100</i>	<i>(1,984,093)</i>	<i>(5,042,900)</i>
WMU	12,801,500	12,906,500	12,710,400	13,369,100	12,089,500	11,679,600	(620,900)	(1,689,500)
IMLI	1,938,959	2,010,652	2,029,479	2,010,652	2,465,230	1,882,666	435,751	(127,986)
<i>Subtotal Education and research</i>	<i>14,740,459</i>	<i>14,917,152</i>	<i>14,739,879</i>	<i>15,379,752</i>	<i>14,554,730</i>	<i>13,562,266</i>	<i>(185,149)</i>	<i>(1,817,486)</i>
Overall total receipts	66,193,959	66,740,152	66,193,379	67,202,752	64,024,137	60,342,366	(2,169,242)	(6,860,386)
Payments^{1 and 3}								
Regular budget strategic results ⁴	36,486,000	36,214,000	37,822,889	36,340,597	34,086,028	33,949,417	3,736,861	2,391,180
Trading	7,256,000	7,905,000	7,827,838	7,974,139	5,451,370	4,806,659	2,376,468	3,167,480
Headquarters capital	1,372,000	2,355,000	2,186,476	2,620,225	669,143	1,114,277	1,517,333	1,505,948
Termination/separation	1,200,000	1,175,000	1,200,000	1,175,000	1,174,009	1,006,137	25,991	168,863
Technical cooperation (TC Fund)	5,575,000	5,206,000	6,419,159	5,567,020	2,909,620	2,428,309	3,509,539	3,138,711
<i>IMO Subtotal</i>	<i>51,889,000</i>	<i>52,855,000</i>	<i>55,456,362</i>	<i>53,676,981</i>	<i>44,290,170</i>	<i>43,304,799</i>	<i>11,166,192</i>	<i>10,372,182</i>
WMU	12,526,900	12,499,100	12,257,900	13,086,800	10,504,200	10,533,700	1,753,700	2,553,100
IMLI ⁵	1,874,443	1,945,144	1,874,443	1,945,144	1,656,761	1,684,457	217,682	260,687
<i>Subtotal Education and research</i>	<i>14,401,343</i>	<i>14,444,244</i>	<i>14,132,343</i>	<i>15,031,944</i>	<i>12,160,961</i>	<i>12,218,157</i>	<i>1,971,382</i>	<i>2,813,787</i>
Overall total payments	66,290,343	67,299,244	69,588,705	68,708,925	56,451,131	55,522,956	13,137,574	13,185,969
NET	(96,384)	(559,092)	(3,395,326)	(1,506,173)	7,573,006	4,819,410	10,968,332	6,325,583

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

² Budget amounts are the modified accrual basis (IMO) and the accrual basis (WMU & IMLI) as approved by the respective governing bodies (IMO, WMU and IMLI) and the actual amounts are on the same basis as the budget amounts.

³ The Final Budget for 2021 includes additional budget transfers for commitments made in prior years discharged in 2021 totalling £1,637,362 as detailed in Note 7.1.

⁴ The Final Budget for 2021 incorporates transfers approved by the IMO Council in line with the Organization's Financial Regulations. The Regular budget and the Headquarters Capital Fund budget include transfers of unspent funds from 2020 to 2021 of £778,000 and £1,152,000 respectively for specific items of expenditure which were delayed as a result of the COVID-19 pandemic. In addition, the Final Budgets for 2021 incorporate a transfer of £466,000 from the Headquarters Capital Fund to the Regular budget.

⁵ The IMLI's actual amount for 2020 incorporates the change in IMLI's accounting policy and the consequent restatement of 2020.

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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. Where a specific matter is not covered by IPSAS, the appropriate International Financial Reporting Standards (IFRS) have been applied. 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 the President of WMU and the Director of IMLI, 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 the dissolution of WMU or 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. Monetary 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. The resulting gains or losses are accounted for in the Statement of Financial Performance.

6 The outbreak of the COVID-19 pandemic and the measures adopted by the host government and governments worldwide to mitigate the pandemic's spread has had an impact on the Organization's ability to carry out technical aspects of its work; the most notable is around the restriction on travel. However, the Organization has the adequate resources to continue its operations on a going concern basis.

Cash and Cash Equivalents

7 Cash and cash equivalents comprise of cash on hand, cash at banks, and highly liquid short-term deposits with maturities of twelve months or less.

8 The effective date of IPSAS 41 – "Financial Instruments" was deferred by one year to 1 January 2023 due to the Covid-19 pandemic and the challenges it has created, and the Organization continues to apply IPSAS 29 - "Financial Instruments: Recognition and Measurement".

Receivables

9 Receivables are financial assets with fixed or determinable payments that are not traded in an active market. Receivables classified as current assets are for amounts due within 12 months of the reporting date, while non-current receivables are those that are due more than 12 months from the reporting date of the financial statements. Receivables are stated at nominal value less allowance for estimated irrecoverable amounts.

10 Assessed contributions receivable are the amount of contribution as approved by the Assembly that are still outstanding. Donor contribution receivables are recognized when the donor agreement is signed but the payment from donor has not been received at the reporting period.

11 An allowance for doubtful accounts is recognized when there is a risk that the receivables may be impaired. Changes in the allowance for doubtful accounts are recognized in the Statement of Financial Performance (Statement II). Where the value of the unpaid contributions is deemed to be impaired the adjusted value is shown in the Statement of Financial Position as follows:

- no allowance or discount is applied to Member States with sums outstanding for no more than the current or current and previous reporting period;
- all sums that have been due for more than two reporting periods are held net of a 100% allowance, that is, at zero value in the Statement of Financial Position. The allowance includes current and all prior period outstanding balances.

Revenue

12 Assessed income on Member States is recognized on a calendar basis as revenue when it falls due, normally on 1 January of the financial year for which the assessment is made as per the assessments approved by the Assembly. Sums received in advance from Member States for the following reporting period are shown on the Statement of Financial Position as revenue received in advance.

13 Donor Contributions are recognized on a case-by-case basis following the provisions of IPSAS 23 – "Revenue from Non-Exchange Transactions".

14 Contributions made without condition, revenue, and the associated financial asset, are recognized when the agreement is signed or, in the absence of an agreement, on receipt of funds. Where there are no payment terms specified by the contributor or payment terms are in the current accounting year, revenue is recognized in the current period. Where payment terms specify payment after the year-end (31 December), the amount is reported as deferred revenue. Where the start date of the contract is after 31 December, revenue is recognized in the future accounting year.

15 Moreover, 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.

16 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.

17 The Organization's commercial sales operations, conducted through the Trading Fund, subletting of conference facilities, 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 and are accounted for 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.

18 Revenue from the sale of publications is recognized upon shipment to the customer. Interest on

investment of funds on fixed short-term deposits and other revenue are recognized when received or earned in accordance with IPSAS 9.

Inventories

19 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.

20 The cost of publications includes purchase cost, transportation and delivery costs, determined on a weighted average basis. Inventory quantities are validated by physical stock counts.

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

22 A provision is provided for inventory considered to be impaired due to damage, obsolescence and slow-moving titles with excess stock on hand.

23 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, no provision is made in this regard.

Property, Plant and Equipment

24 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 is as follows:

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

25 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.

26 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.

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

Intangible Assets

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

29 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.

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

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

Leases

Finance Leases

31 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.

32 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.

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

34 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 to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating Leases

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

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

Employee Benefits Liabilities

37 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.

38 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 has been amended during the reporting period.

39 Short-term employee benefits include salaries and related benefits, settling in benefits, education grant and others such as home leave, paid annual leave and sick leave.

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

41 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 the performance of duties.

42 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

43 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. This liability is estimated using a percentage based on the previous five years sales and the level of returns.

44 The Organization's sales of publications are made mainly through distributors and resellers 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. From 1 January 2021, any publications purchased are no longer qualify for returns, with the exception of two copies of key publications required to be kept in stock under the terms of the distributor's agreement. 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 based on the previous five years sales and the level of returns.

45 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

46 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.

47 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.

48 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.

49 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 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.

50 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.

51 As the Organization undertakes commercial business activities, in particular 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

52 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 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**

	IMO		Consolidated	
	2021	2020	2021	2020 (restated)
Cash and Cash Equivalents	GBP	GBP	GBP	GBP
Bank and Imprest Cash	13,884,637	22,856,490	29,622,703	39,006,947
Short-term deposits	75,182,907	58,296,881	77,287,907	59,885,881
Other cash and cash equivalents	3,098	3,195	101,949	4,309
TOTAL CASH AND CASH EQUIVALENTS	89,070,642	81,156,566	107,012,559	98,897,137

53 Cash required for immediate disbursement are maintained in cash and 54 bank accounts, seven in British Pounds, 36 in US dollars, nine in Euros, one in Philippine peso, and one in Bangladeshi Takas. Balances in the short-term deposit accounts are available at short notice.

54 IMO does not place long-term investments in bonds or shares, nor does it make use of money market facilities such as hedging. Excess funds are invested in short-term deposits, which are held to maturity for a maximum of twelve months with an approved list of counterparties.

55 IMO's Investment Policy, established in accordance with Article IX of the Financial Regulations, focuses on capital retention rather than maximization of return on investment and establishes limits on the maximum amounts and time period for deposits with any counterparty, based on a range of factors designed to assess their financial stability, to diversify and manage investment risk.

56 Effective implementation of the Investment Policy is the responsibility of the IMO Treasury Committee, comprising of senior programme and administrative staff, along with an independent 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.

57 Credit rating agencies placed a number of banks on negative outlook watch and downgraded others due to the more difficult operating and economic conditions, low interest rate environment and likely deteriorating loan asset quality concerns. The Organization is actively monitoring all ratings for the investment holdings and investment counterparties.

58 The table below shows the breakdown of the value of IMO's short-term deposits by currency and maturity dates of the placements, including accrued interest as at 31 December 2021:

IMO Treasury Deposit			
Maturity Date	Currency	Amount	Value in GBP
19 January 2022	GBP	5,000,022	5,000,022
15 February 2022	GBP	5,000,044	5,000,044
14 March 2022	USD	25,690,273	19,062,167
14 June 2022	GBP	31,116,902	31,116,902
14 December 2022	GBP	15,003,772	15,003,772
TOTAL SHORT-TERM DEPOSITS			75,182,907

59 IMLI holds short-term deposit of €2,500,000 (2020: €1,750,000), which is equivalent to £2,105,000 as at 31 December 2021 (2020: £1,589,000).

60 There have been no impairments of short-term deposits held by IMO and IMLI as at 31 December 2021.

Note 2.2: Contributions Receivable

Composition:	IMO		Consolidated	
	2021	2020	2021	2020
	GBP	GBP	GBP	GBP
Member States assessments	227,155	395,793	227,155	395,793
Donor voluntary contributions	764,622	393,256	782,034	402,952
TOTAL CONTRIBUTIONS RECEIVABLE	991,777	789,049	1,009,189	798,745

61 Contributions receivable for Member States' assessments and donor voluntary contributions are non-exchange transactions.

62 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. The movement of the fair value adjustment during 2021 resulted in a decrease of £23,576 when compared to 2020.

63 The following table sets out the composition of Member States' receivables by year and the fair value adjustments and allowance for doubtful accounts as at 31 December 2021.

Member States assessments due:	IMO		Consolidated	
	2021	2020	2021	2020
	GBP	GBP	GBP	GBP
Contributions Receivable before allowance				
2021	246,376	-	246,376	-
2020	82,304	425,754	82,304	425,754
2019	38,980	113,439	38,980	113,439
2018 and earlier	696,411	717,092	696,411	717,092
Total Contribution Receivable	1,064,071	1,256,285	1,064,071	1,256,285
Fair value adjustments	(481,852)	(505,428)	(481,852)	(505,428)
Allowance for doubtful accounts	(355,064)	(355,064)	(355,064)	(355,064)
NET CONTRIBUTIONS RECEIVABLE	227,155	395,793	227,155	395,793

64 As at 31 December 2021 there were a total of 35 Member States and the former Socialist Federal Republic of Yugoslavia (SFRY) with outstanding balance. Of these, 28 had current year and prior year balances only. The remaining seven and the former SFRY had arrears prior to 2020. For the Member States in arrears and without an agreed payment plan, 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 2019 and earlier, the fair value adjustment includes their outstanding balances for 2021 and 2020.

65 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 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.

66 Contributions receivable from donors represent amounts due but not yet received based on signed agreements as at 31 December 2021.

67 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	
	2021 GBP	2020 GBP	2021 GBP	2020 (restated) GBP
IMO publications	407,012	463,433	407,012	463,433
Model courses	9,406	11,512	9,406	11,512
Public relations articles	-	-	55,387	56,582
TOTAL INVENTORIES	416,418	474,945	471,805	531,527

Inventories reconciliation – IMO	2021 GBP	2020 GBP
Opening inventories	474,945	1,061,365
Purchases	772,872	390,786
Total inventories available for sale	1,247,817	1,452,151
Cost of sales	(763,768)	(561,180)
Cost of free distributions	(1,452)	(5,434)
Inventory adjustment	(165,805)	(10,360)
Closing inventories	316,792	875,177
Allowance for impairment	99,626	(400,232)
TOTAL INVENTORIES	416,418	474,945

	Opening Balance 01.01.2021 GBP	Utilization	Increase / (Decrease) GBP	Closing Balance 31.12.2021 GBP
Allowance for impairment	484,694	(168,795)	69,169	385,068
TOTAL ALLOWANCE	484,694	(168,795)	69,169	385,068

68 A review of inventory was carried out during mid-year and year-end in determining the provisions of £385,068, covering obsolescence, slow-moving and excess stock holdings.

69 As at 31 December 2021, IMLI and WMU held inventory valued at £20,403 and £34,984 respectively (2020: £11,868 and £44,714).

Note 2.4: Advances to Sub-Contractors and Partners

70 Advances to sub-contractors and implementing partners are payments made under contract with regional bodies and similar organizations which, acting as implementing agents or partners, 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 provide regional or national services on the Organization's behalf, through the Service Clearing Account arrangement, are also considered to be advances to sub-contractors. The total outstanding advances at the end of the financial period were made to the following:

Sub-Contractors and Partners	IMO	
	2021 GBP	2020 GBP
The Intergovernmental Oceanographic Commission of UNESCO (IOC)	168,135	228,390
World Maritime University (WMU)	74,200	-
Food and Agriculture Organization (FAO)	72,337	-
Solomon Islands Maritime Authority (SIMA)	51,050	-
The Regional Organization for the Conservation of the Environment of the Red Sea and Gulf of Aden (PERSGA)	38,896	6,239
Prefectura Naval Argentina (PNA)	37,501	37,400
The Secretariat of the Pacific Regional Environment Programme (SPREP)	32,542	9,153
Other	88,759	336,079
TOTAL ADVANCES TO SUB-CONTRACTORS AND PARTNERS	563,420	617,261

Note 2.5: Other Receivables

	IMO		Consolidated	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Advances to staff	965,455	881,144	1,021,655	935,406
Taxes recoverable	791,433	1,170,922	869,212	1,210,055
Advances to vendors	821,735	45,658	571,218	497,144
Fellowships	-	-	468,770	504,676
Miscellaneous	348,192	265,917	664,441	540,110
TOTAL OTHER RECEIVABLES	2,926,815	2,363,641	3,595,296	3,687,391

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

Advances to staff	IMO		Consolidated	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Education Grant advance	706,058	612,702	761,712	666,794
Service incurred injury	239,847	202,065	239,847	202,065
Home leave prepayment	-	31,101	546	31,271
Season ticket loan	-	217	-	217
Others	19,550	35,059	19,550	35,059
TOTAL ADVANCES TO STAFF	965,455	881,144	1,021,655	935,406

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

73 Service incurred injuries are medical costs advanced to staff due to workplace injury, which are recoverable from the insurance provider.

74 Eligible staff receive one home leave travel entitlement in a two-year period, the costs of which are spread over that two-year period, which may result in a prepayment where staff travel in the first year of their entitlement.

75 Season ticket loans to staff are typically recovered through eleven equal monthly payroll deductions.

76 Taxes recoverable are value-added tax, 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.

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

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

79 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 receivable and travel recoverable from sponsors.

Note 2.6: Investments

80 As at 31 December 2021, the total value of investments of £5,718,806 (2020: £2,856,153) represents £3,754,637 (2020: £812,916) held by WMU and £1,964,169 (2020: £2,043,237) held by IMLI. IMLI's investments includes a long-term deposit of €750,000.

81 On 17 July 2021, WMU withdrew its investment in bonds held with Nordea Market amounting to Euro 900,000 as at 31 December 2020. At its 31st session in March 2021, the Executive Board approved the selection of LGT Liechtenstein as the investment bank for WMU funds, noting that the bank had a strong record of environmental, social, and corporate governance (ESG) and corporate social responsibility which aligns well with WMU's mission, as well as a broad-based investment strategy. In July 2021, USD 5,000,011, consisting of USD 2,300,009 from the Endowment Fund and USD 2,700,002 from the General Fund, was invested with LGT Bank Ltd. under the AIF's LGT Premium Strategy GIM sub-funds. As at 31 December 2021, the investment was valued at USD 5,067,875, resulting in the gain in the value of investment of USD 67,864 based on the Statement of Assets provided by LGT Bank Ltd

Note 2.7: Property, Plant and Equipment

Asset category – IMO							
GBP	Communication & IT equipment	Conference equipment	Vehicles	Furniture & fixtures	Leased equipment	Miscellaneous	Total
Cost							
Opening Balance 01.01.2021	2,651,207	1,676,297	143,667	614,757	763,784	121,471	5,971,183
Additions	139,420	-	-	6,839	-	5,785	152,044
Disposals	(36,292)	-	(20,376)	(18,578)	(155,214)	(9,007)	(239,467)
Closing Balance 31.12.2021	2,754,335	1,676,297	123,291	603,018	608,570	118,249	5,883,760
Accumulated Depreciation							
Opening Balance 01.01.2021	2,292,372	1,064,047	91,014	594,949	609,185	80,555	4,732,122
Depreciation charge for the year	255,718	232,193	14,797	7,464	154,599	13,823	678,594
Disposals	(36,292)	-	(20,376)	(18,578)	(155,214)	(9,007)	(239,467)
Closing Balance 31.12.2021	2,511,798	1,296,240	85,435	583,835	608,570	85,371	5,171,249
Net Book Value							
Opening Balance 01.01.2021	358,835	612,250	52,653	19,808	154,599	40,916	1,239,061
CLOSING BALANCE 31.12.2021	242,537	380,057	37,856	19,183	-	32,878	712,511

82 Property, plant and equipment are capitalized if their cost is greater than or equal to the threshold limit set at £500. The assets value, less any estimated disposal price, is depreciated over the assets estimated useful life using the straight-line method. The threshold level is currently reviewed together with the estimated useful life as part of the system-wide review by the UN Task Force in Accounting Standards.

83 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.

84 Assets are reviewed annually to determine if there is any impairment in their value. During 2021, 32 items of obsolete or traded-in property, plant and equipment with zero net book value were disposed of or de-recognized, as detailed in the table below:

Description	Number of Items	Purchase Value (GBP)
Communication & IT equipment	23	36,292
Vehicles	1	20,376
Furniture & fixtures	5	18,578
Leased equipment	2	155,214
Miscellaneous	1	9,007
TOTAL	32	239,467

Asset category – Consolidated

GBP	Communication & IT equipment	Conference equipment	Vehicles	Furniture & fixtures	Leased equipment	Miscellaneous	Total
Cost							
Opening Balance 01.01.2021	3,445,019	1,676,297	296,454	960,210	763,784	332,638	7,474,402
Additions	212,470	-	-	132,291	-	14,043	358,804
Disposals	(53,162)	-	(20,376)	(18,578)	(155,214)	(9,007)	(256,337)
Exchange Rate Movement Differences	(71,674)	-	(12,412)	(34,264)	-	(16,744)	(135,094)
Closing Balance 31.12.2021	3,532,653	1,676,297	263,666	1,039,659	608,570	320,930	7,441,775
Accumulated Depreciation							
Opening Balance 01.01.2021	3,008,416	1,064,047	197,779	860,107	609,185	261,987	6,001,521
Depreciation charge for the year	306,846	232,193	28,585	48,833	154,599	29,100	800,156
Disposals	(53,162)	-	(20,376)	(18,578)	(155,214)	(9,007)	(256,337)
Exchange Rate Movement Differences	(64,300)	-	(8,808)	(24,239)	-	(14,626)	(111,973)
Closing Balance 31.12.2021	3,197,800	1,296,240	197,180	866,123	608,570	267,454	6,433,367
Net Book Value							
Opening Balance 01.01.2021	436,603	612,250	98,675	100,103	154,599	70,651	1,472,881
CLOSING BALANCE 31.12.2021	334,853	380,057	66,486	173,536	-	53,476	1,008,408

85 The total value reported under "Miscellaneous" as at 31 December 2021 includes the reference library of £8,007 (2020: £8,327) held by IMLI, with additional reference texts being capitalized and depreciated over a period of three years.

86 This note includes the effect of the revaluation of the property, plant and equipment held by WMU and IMLI with a net impact of £23,121 (2020: £19,505) resulting from the change in the value of the Swedish Krona and Euro respectively from 1 January to 31 December 2021. Opening balances are presented at the exchange rate applicable on 1 January 2021 and closing balances at the rate applicable on 31 December 2021, 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.

87 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 €9,000 (£7,767) (2020: £8,010).

Note 2.8: Intangible Assets

GBP	Externally purchased software IMO	Externally purchased software Consolidated
Cost		
Opening Balance 01.01.2021	3,503,588	3,709,130
Exchange Rate Movement Differences	-	(18,270)
Closing Balance 31.12.2021	3,503,588	3,690,860
Accumulated Amortization		
Opening Balance 01.01.2021	3,494,590	3,606,686
Amortization charge for the year	6,404	58,794
Exchange Rate Movement Differences	-	(11,813)
Closing Balance 31.12.2021	3,500,994	3,653,667
Net Book Value		
Opening Balance 01.01.2021	8,998	102,444
CLOSING BALANCE 31.12.2021	2,594	37,193

88 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.

89 This note includes the effect of the revaluation of the Intangible Assets held by WMU with a net impact of £6,457 (2020: £9,000) resulting from the change in the value of the Swedish Krona from 1 January to 31 December 2021. Opening balances are presented at the exchange rate applicable on 1 January 2020 and closing balances at the rate applicable on 31 December 2021, while depreciation charges and additions for the year are shown at the average rate of exchange, consistent with Statement I and Statement II, respectively.

Note 2.9: Payables and Accruals

	IMO		Consolidated	
	2021 GBP	2020 GBP	2021 GBP	2020 (restated) GBP
Accruals	1,197,899	1,017,839	1,362,621	1,129,206
Payable to vendors	474,711	1,129,939	576,937	1,208,153
Payable to staff	7,418	27,278	7,418	27,278
Advances from customers	439,749	262,611	711,331	333,650
Fellowships	-	-	3,956,085	3,257,954
Deferred revenue	1,329,462	262,257	1,329,462	262,257
Condition on donor contributions	1,846,690	3,142,945	1,846,690	3,142,945
Advance contributions	868,312	2,099,023	2,518,884	4,122,961
Contributions Incentive Scheme	106,127	106,127	106,127	106,127
Payable to donors	19,423	144,159	19,423	144,159
Other	-	-	19,311	-
TOTAL PAYABLES AND ACCRUALS	6,289,791	8,192,178	12,454,289	13,734,690

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

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

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

93 Payable to staff represents travel claim on trip completion, reimbursement of expenses.

94 Fellowships and donations received and accrued for the academic year 2021/2022 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 2022 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 The Organization recognizes as a liability when conditions are deemed to be 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 2021, is shown.

Condition on donor contributions	IMO		Consolidated	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
European Commission – Capacity Building for Climate Mitigation in the Maritime Shipping Industry	1,627,337	2,995,106	1,627,337	2,995,106
European Commission – Western Mediterranean Region Marine Oil and HNS Pollution Cooperation (West MOPoCo)	219,353	147,839	219,353	147,839
TOTAL	1,846,690	3,142,945	1,846,690	3,142,945

97 Advance contributions reflect balances received from Member States during 2021 towards the 2022 assessed contributions and beyond.

98 Under the Contributions Incentive Scheme (CIS), a part of the interest earned on the General Fund is returned to the Member States, and the allocation is based on a points system reflecting the timing and amount of the receipt of their current year assessments. There was no interest earned under CIS Scheme due to the low-interest rate/earned during 2021. The accumulated CIS liability up to 2021 totalled £106,127, of which £77,250 relates to CIS earned during 2020 to be distributed during 2022. A residual balance for prior years amounting to £28,877 remains awaiting instruction from two Member States.

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

Note 2.10: Provisions for warranties

	IMO		Consolidated	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Publication sales warranties	63,032	53,813	63,032	53,813
TOTAL PROVISIONS FOR WARRANTIES	63,032	53,813	63,032	53,813

	Opening Balance 01.01.2021	Utilization	Increase	Closing Balance 31.12.2021
	GBP	GBP	GBP	GBP
IMO Publications	53,448	(29,546)	38,700	62,602
Model Courses	365	-	65	430
TOTAL ALLOWANCE	53,813	(29,546)	38,765	63,032

100 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, in line with the IMO policy for obsolete returns with the credit being set against purchases of the new title or a refund being issued. A warranty provision has been established to reflect possible future returns of sales made during the year, the level of provision being based on the level of sales in the year and past experience of return levels.

Note 2.11: Employee Benefits

	IMO		Consolidated	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Current Liabilities				
Short-term employee benefits	149,298	234,508	188,078	280,074
Termination benefits	200,594	-	200,594	-
Total Current Employee Benefits	349,892	234,508	388,672	280,074
Non-Current Liabilities				
Post-employment benefits				
After service health insurance	42,559,760	43,962,547	42,559,760	43,962,547
Repatriation	4,612,147	4,622,360	5,639,332	5,618,860
Accrued Annual Leave	3,485,790	2,475,977	4,050,226	2,999,079
Total Non-Current Employee Benefits	50,657,697	51,060,884	52,249,318	52,580,486
TOTAL EMPLOYEE BENEFITS LIABILITIES	51,007,589	51,295,392	52,637,990	52,860,560

2.11.1: Valuation of Employee Benefits Liabilities

101 Current employee benefits are calculated by IMO based on personnel data and past payment experience. Non-Current employee benefits liabilities are determined by professional actuaries. As at 31 December 2021, total employee benefits liabilities amounted to £51,007,589 (2020: £51,295,392).

102 In determining its post-employment liabilities, WMU eligible staff members are entitled to the payment of repatriation allowance, repatriation travel and shipment of household goods, and unused annual leave up to the maximum of 60 days. In determining the liability for such costs as at the reporting date, the University uses the following basis: home leave – the cost of a return trip to home country for the staff member and eligible dependants spread over two years; accrued annual leave - based on the balance of unused annual leave days and the current monthly salary rate plus post adjustment; repatriation allowance – number of years in service and current monthly salary rate; and repatriation travel - prevailing market prices from the duty station to the home country to which the staff member and eligible dependents; and repatriation shipment cost – based on the lump sum amount for staff with spouse and single status, if any are entitled to return.

2.11.2: Short-Term Employee Benefits

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

104 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.

105 There is an increase in current liabilities of £115,384 (2020: £209,277) for IMO and £108,598 (2020: £254,843) for consolidated. Liabilities for termination benefits reflect sums due to staff separating during 2021 but not yet paid by 31 December 2021. This has been offset by a reduction in the home leave accrual, as a majority of the 2020 home leave travel deferred due to the COVID-19 coronavirus pandemic were taken in 2021.

2.11.3: Post-Employment Benefits

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

107 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 and requires retiring employees to meet certain conditions for the length of service. 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 (British United Provident Association).

108 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 the 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.

109 The liabilities include the current service costs and the interest costs for 2021, less benefit payments made and, where applicable, plan participants' contributions in addition to the impact of the actuarial gains and losses.

2.11.4: Other Long-Term Employee Benefits

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

2.11.5: Termination Employee Benefits

111 As of 31 December 2021, there is a termination indemnity liability of £200,594 for the separation of staff members in accordance with IMO's established Staff Regulations and Staff Rules.

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

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

2.11.6.1: Actuarial Assumptions and Methods

113 IMO and the actuary review and select assumptions that will be used by the actuaries to estimate the post-employment and accrued unused annual leave employee liabilities for IMO, as at 31 December 2021, based on the expenditure projections for the reporting period.

	31 December 2021	31 December 2019
General assumptions		
Discount rate	2.0% p.a.	2.10% p.a.
General inflation for salary increases	2.9% p.a.	2.0% p.a.
Mortality	95% of S3PA tables	95% of S3PA tables
Mortality improvements	CMI_2020 core model projections with a long-term improvement rate of 1.25% pa, an initial addition parameter of 0% and a 0% 2020 data weighting	CMI_2018 projections with a long-term improvement rate of 1.25% pa
Withdrawal rates	3.25% pa fixed for all ages	
Retirement rates	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.	
Medical inflation - healthcare trend increases	4.25% p.a. fixed	4% p.a. fixed
Medical inflation - Ageing increases	3.5% p.a. for those under 65, 2.5% p.a. for those between 65 and 70 reducing in five-year age bands to nil for those over age 90.	
Assumptions used to value repatriation benefits		
Participation	All eligible employees will receive the benefit on separation from service 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.	
Increases in repatriation travel costs	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% p.a. for years 4 to 8 of service and 0.5% pa thereafter.	

2.11.6.2: Reconciliation of Defined Benefit Obligation

IMO	After-Service Health Insurance Plan GBP	Repatriation Benefit Plan GBP	Accrued Annual Leave Plan GBP	Total GBP
Defined Benefit Obligation as at 01.01.2021	43,962,547	4,622,360	2,475,977	51,060,884
Service cost	1,719,068	173,662	44,111	1,936,841
Interest cost	915,699	95,634	49,503	1,060,836
Actual cost for 2021	(715,641)	(136,678)	(237,350)	(1,089,669)
Actuarial (gain) / loss	(3,321,913)	(142,831)	1,153,549	(2,311,195)
DEFINED BENEFIT OBLIGATION AS AT 31.12.2021	42,559,760	4,612,147	3,485,790	50,657,697

114 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.

115 The service and interest costs are based on the actuarial valuation carried out for the reporting year 2021.

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

2.11.6.3: Summary of Prior Year Amounts

117 The breakdown of the cumulative amounts of the net actuarial (gains)/losses up to 2021 are presented below:

IMO	After-Service Health Insurance Plan GBP	Repatriation Benefit Plan GBP	Accrued Annual Leave Plan GBP	Total GBP
Accumulated actuarial loss as at 01.01.2021	9,202,677	1,123,993	1,924,125	12,250,795
Actuarial (gain)/loss in 2021	(3,321,913)	(142,831)	1,153,549	(2,311,195)
ACCUMULATED ACTUARIAL LOSS AS AT 31.12.2021	5,880,764	981,162	3,077,674	9,939,600

IMO	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
	GBP	GBP	GBP	GBP	GBP
ASHI					
Present Value of Defined Benefit Obligation	42,559,760	43,962,547	41,740,761	40,172,966	40,303,417
Experience (gain)/loss on Scheme Liabilities	(6,378,282)	-	(6,519,900)	-	1,701,085
Loss/(Gain) on changes in assumptions used to value Scheme liabilities	3,056,369	-	6,211,743	(2,091,480)	1,302,853
Repatriation					
Present Value of Defined Benefit Obligation	4,612,147	4,622,360	4,560,544	2,992,525	3,405,414
Experience (gain)/loss on Scheme Liabilities	(405,547)	-	894,872	-	139,894
Loss/(Gain) on changes in assumptions used to value Scheme liabilities	262,716	-	359,368	-	(192,881)
Annual Leave					
Present Value of Defined Benefit Obligation	3,485,790	2,475,977	2,518,334	2,213,147	2,289,463
Experience loss on Scheme Liabilities	864,843	-	141,648	-	436,460
Loss/(Gain) on changes in assumptions used to value Scheme liabilities	288,706	-	199,187	-	(188,618)
Total (ASHI, REP, AL)					
Present Value of Defined Benefit Obligation	50,657,697	51,060,884	48,819,639	45,378,638	45,998,294
Experience (gain)/loss on Scheme Liabilities	(5,918,986)	-	(5,483,380)	-	2,277,439
Loss/(Gain) on changes in assumptions used to value Scheme liabilities	3,607,791	-	6,770,298	(2,091,480)	921,354

2.11.6.4: Expected Costs during 2022

118 The expected contribution of IMO in 2022 to the Termination Benefit Fund is £1,093,000 (2021 estimate: £1,401,162). This has been derived from the 2021 actual costs, with ASHI payments remaining unchanged for 2022 and the repatriation and annual leave payments increasing in line with general inflation, adjusted for expected rates of separation.

2.11.7: United Nations Joint Staff Pension Fund

119 IMO is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in 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.

120 The Fund 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 Fund. The Organizations and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the Organization'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 Organization has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. The Organization's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

121 The 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 Fund will be sufficient to meet its liabilities.

122 The Organization's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the 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.

123 The latest actuarial valuation for the Fund was completed as of 31 December 2019, and the valuation as of 31 December 2021 is currently being performed. A roll forward of the participation data as of 31 December 2019 to 31 December 2020 will be used by the Fund for its 2020 financial statements.

124 The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2%. The funded ratio was 107.1% when the current system of pension adjustments was taken into account.

125 After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2019, 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 plan. 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.

126 Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, 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 Fund during the preceding three years (2018, 2019 and 2020) amounted to USD 7,993.15 million, of which 0.40% was contributed by the Organization.

127 During 2021, contributions paid to the Fund amounted to USD 11.00 million (2020: USD 10.76 million). Expected contributions due in 2022 are approximately USD 11.50 million.

128 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.

129 The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, and these can be viewed by visiting the Fund at www.unjspf.org.

Note 2.12: Leases**2.12.1: Finance Leases**

130 The Organization's finance leases for the provision of general office, high-volume photocopiers and Wi-Fi network equipment for its Headquarters building expired in 2021.

	IMO		Consolidated	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Current	-	101,825	-	101,825
TOTAL FINANCE LEASE LIABILITIES	-	101,825	-	101,825

2.12.2: Operating Leases

131 The operational leases are for the Organization's Headquarters building, the rental of coffee machines, and the multifunctional office photocopiers/printers. The estimated future minimum lease payments under these leases are set out in the table below:

	IMO		Consolidated	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Estimated future minimum Lease Payments				
Not later than one year	1,260,333	1,212,846	1,260,333	1,212,846
Later than one year and not later than five years	6,037,725	6,030,040	6,037,725	6,030,040
Later than five years	5,978,755	7,174,506	5,978,755	7,174,506
TOTAL ESTIMATED FUTURE MINIMUM LEASE PAYMENTS	13,276,813	14,417,392	13,276,813	14,417,392

132 The lease costs will be spread over the term of the lease on a straight-line basis.

133 The building lease is with the United Kingdom government. This lease expires on 28 October 2032 and does not contain a break clause, nor does it contain renewal or purchase options. 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 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

IMO	Opening Balance 01.01.2021	Operating Surplus (Deficit) for the Period	Other Movements	Closing Balance 31.12.2021
	GBP	GBP	GBP	GBP
General Fund	14,049,451	1,912,158	-	15,961,609
Working Capital Fund	1,857,806	452	-	1,858,258
Trading Fund	5,797,707	1,783,359	-	7,581,066
Termination Benefit Fund	(35,485,581)	(1,482,608)	2,311,195	(34,656,994)
HQ Capital Fund	3,544,622	129,236	-	3,673,858
Technical Cooperation Fund	15,525,067	1,518,071	-	17,043,138
Bilateral Operations and Multi-Donor Trust Funds¹:				
Government of Norway	5,346,066	1,724,583	-	7,070,649
Delivering Strategy and Reform – Voyage Together	3,979,473	1,097,300	-	5,076,773
United Nations Office on Drugs and Crime	1,502,886	542,530	-	2,045,416
Model Courses Development Trust Fund	1,474,296	(54,195)	-	1,420,101
Government of China	829,373	426,986	-	1,256,359
International Maritime Security Trust (IMST) Fund	1,019,102	102,086	-	1,121,188
GESAMP Trust Fund	796,102	95,452	-	891,554
Member States Professionals	699,350	102,996	-	802,346
Government of the Republic of Korea	570,829	(31,745)	-	539,084
Other Bilateral Operations and Multi-Donor Trust Funds ²	5,499,764	139,596	-	5,639,360
TOTAL	27,006,313	8,006,257	2,311,195	37,323,765

Consolidated	Opening Balance 01.01.2021 (restated)	Operating Surplus (Deficit) for the Period	Other Movements	Closing Balance 31.12.2021
	GBP	GBP	GBP	GBP
TOTAL	42,212,651	11,869,551	104,963	54,187,165

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

135 The General Fund was established for the purpose of accounting for the expenditure of the Organization. A Special Contingency Account in the General Fund was established by Assembly Resolution A.1063(28). The initial funding of the Account shall be set at £2 million, which shall be secured from the expenditure savings generated in the regular budget in the 2012-2013 biennium. The Special Contingency Account was established to offset or reduce any forecast overrun in such appropriations on a pay rise decided by the International Civil Service Commission (ICSC).

¹ All funds and bilateral agreements with closing balances in excess of £500,000 are disclosed separately, with other funds being aggregated under 'Other Bilateral Operations and Multi-Donor Trust Funds'.

² Governments of Australia, Belgium, Canada, Egypt, France, Germany, Ghana, Italy, Malaysia, Netherlands, Nigeria, Saudi Arabia, United Arab Emirates, United Kingdom, European Commission, International Transport Workers Federation, Union of Greek Ship-owners, United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), BallastWater TV Documentary, Djibouti Code of Conduct Trust Fund, GHG-TC Trust Fund, Global Industry Alliance Fund (GloFouling and GloMEEP), Goal-Based Ship Construction Standards (GBS) Trust Fund, IMO Malacca and Singapore Straits Trust Fund, IMO West and Central Africa Maritime Security Trust Fund, IMO/REMPEC Trust Fund, International Search & Research Fund (SAR), International Ship Recycling Trust Fund, London Convention-Protocol TC Trust Fund, Marine Pollution Response Fund, Research and Development Fund, Revision of the STCW Convention, Seminars and Workshops and Tsunami Relief Fund.

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

137 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.

138 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 fund covers the termination benefits, repatriation costs (including grants, shipment, and travel), and financing and accounting of the liabilities related to the costs of accrued annual leave and after-service health insurance (ASHI) as per Assembly resolution A 31/Res.1132.

139 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.

140 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 information technology systems, including training on these systems.

141 Trust Funds are established to account for the expenditures related to the activities financed from the respective donors. Fund balances represent the unexpended portion of contributions that are intended to be utilized in future operational requirements 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**

142 Total assessed contributions for 2021 amounted to £33,616,939 (2020: £33,391,000) from 174 Member States and 3 Associate Members and the organization's ten largest contributors are shown below. Botswana became a Member in November 2021, bringing the total Member States to 175 as at 31 December 2021. 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	Member States	Amount GBP	% of total assessment
1	Panama	4,792,044	14.3
2	Liberia	3,872,680	11.5
3	Marshall Islands	3,531,834	10.5
4	Singapore	1,989,340	5.9
5	China	1,872,112	5.6
6	Malta	1,758,782	5.2
7	Hong Kong	1,398,296	4.2
8	Bahamas	1,300,264	3.9
9	United Kingdom	1,081,832	3.2
10	Japan	890,141	2.6
TOTAL		22,487,325	66.9

143 In determining each Member's assessment, the formula established by Assembly Resolution A.726(17) has been applied. This provides for: (1) a minimum assessment, calculated at 2.94% of the total assessment divided equally between Member States and 50% for Associate Members; (2) a basic assessment, calculated at 12.5% of the total assessment less the minimum assessment. The United Nations General Assembly seventy-third session scale of assessments for 2019-2021 has been applied in determining the basic assessment; and (3) a tonnage assessment, calculated at 87.5% of the total assessment less the minimum assessment and is determined by the gross registered tonnage attributable to Member States, as provided by IHS Markit Maritime & Trade, following the procedures established in Circular letter No. 3347.

Note 3.2: Donor Voluntary Contributions

144 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.

145 Revenue from contributions received from donors during the reporting period amounted to £10,555,607 (2020: £12,230,298) and the Organization's ten largest contributors for 2021 are shown below:

IMO	Donor	Amount GBP	% of total donor revenue
1	Government of Norway	2,913,791	27.6
2	Government of the Republic of Korea	1,873,593	17.7
3	United Nations Office on Drugs and Crime (UNODC)	1,208,147	11.4
4	European Commission	1,157,197	11.0
5	United Nations Environment Programme (UNEP)	671,430	6.4
6	Government of Germany	666,265	6.3
7	United Nations Development Programme (UNDP)	542,998	5.1
8	Government of China	438,554	4.2
9	Government of Japan	336,850	3.2
10	Government of United States of America	229,450	2.2
TOTAL		10,038,275	95.1

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

147 The consolidated group's ten largest contributors to donor revenue in 2021 are shown below:

Consolidated	Donor	Amount GBP	% of total donor revenue
1	Government of Norway	2,913,791	17.4
2	Government of Sweden	2,471,813	14.7
3	Republic of Korea	2,137,513	12.7
4	Nippon Foundation	1,980,444	11.8
5	European Commission	1,687,462	10.0
6	United Nations Office on Drugs and Crime (UNODC)	1,208,147	7.2
7	Government of Germany	680,636	4.1
8	United Nations Environment Programme (UNEP)	671,430	4.0
9	International Transport Workers' Federation	670,500	4.0
10	United Nations Development Programme (UNDP)	542,998	3.2
TOTAL		14,964,734	89.1

Note 3.3: Commercial Activities

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

	IMO		Consolidated	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Publication Sales	11,773,600	9,278,890	11,773,600	9,278,890
Cafeteria Sales	336,493	155,301	336,493	155,301
Assessment fees	234,055	321,445	234,055	321,445
Letting of conference facilities and other commercial revenue	466,995	442,512	2,328,259	1,816,899
TOTAL	12,811,143	10,198,148	14,672,407	11,572,535

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

	2021 GBP	2020 GBP
Sale of physical publications	7,720,813	5,999,887
Electronic publications	2,210,284	1,610,307
Royalties	1,588,977	1,380,304
Subscriptions	199,870	194,689
Model Courses	51,889	47,373
Other publications	1,767	46,330
TOTAL PUBLICATION SALES	11,773,600	9,278,890

150 Revenue from publication sales totalling £11.8m (2020: £9.3m) has increased by 27% from 2020 despite the continuing challenges of the Covid-19 pandemic, indicating a recovery of the market for IMO publications. The increase is mainly due to new editions of major titles, originally due to be published in 2020, that were re-programmed to 2021 due to the postponement of IMO meetings. The sale of physical publications accounted for the majority of publication sales (66%). The sale of digital offerings, consisting of electronic publications, royalties, and subscriptions, has shown a sustained percentage of 34% over the total publications sales in 2021 (2020: 34%).

Note 3.4: Fellowships

151 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 £6,022,656 for 2021 (2020: £5,828,086). The five largest aggregate contributors are listed below:

	Sponsors	Amount GBP	% of total donor revenue
1	Nippon Foundation	1,830,475	28.5
2	Government of Norway	447,122	7.0
3	Government of the Republic of Korea	337,052	5.3
4	Nigerian Maritime Administration and Safety Agency (NIMASA)	289,293	4.5
5	International Transport Workers' Federation	212,905	3.3
	TOTAL	3,116,847	48.6

Note 3.5: Other Revenue

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

	IMO		Consolidated	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Interest earned	62,031	288,619	218,132	415,905
Other revenue	183,945	79,199	683,303	171,831
TOTAL	245,976	367,818	901,435	587,736

153 The increase in the consolidated other revenue is mainly attributable to IMLI. In November 2020, IMLI started organizing intensive specialized programmes with varied durations that range between one to several weeks, depending on the subject area.

154 Despite the poor financial performance of the markets due to the continuation of the Covid-19 pandemic, the principal of the Organization's investment portfolio remains safe, in line with its investment policy, as it holds high-quality assets aimed at preserving principal. Interest income on the investment of excess funds was reduced from £288,919 in 2020 to £62,301 in 2021 for IMO and from £415,906 in 2020 to £218,132 in 2021 for the consolidated. Adverse impacts in the financial markets were the main driver for the decrease in investment revenue. The steep decline was caused by the lower interest rates in 2021 due, in part, to the continuation of the adverse economic situation brought about by the pandemic (0.12% in 2021 vs. 0.35% in 2020 for GBP and 0.14% in 2021 vs. 0.62% in 2020 for USD).

NOTE 4: EXPENSES

	IMO		Consolidated	
	2021	2020	2021	2020 (restated)
	GBP	GBP	GBP	GBP
4.1: Staff and other personnel costs				
Professional and general service staff, experts	29,105,001	29,582,215	37,215,272	37,715,026
Appointment and separation	2,779,451	3,042,911	2,818,058	3,046,049
Termination benefit	321,898	75,790	321,898	75,790
Consultants	2,320,488	1,675,888	3,103,698	2,169,580
Temporary assistance	1,692,770	1,707,198	1,701,927	1,709,069
Meetings personnel (interpreters, translators, temporary employees)	909,926	713,075	909,926	713,075
Total staff and other personnel costs	37,129,534	36,797,077	46,070,779	45,428,589
4.2: Travel expenses				
Fares	99,193	181,712	171,964	307,734
Daily Subsistence Allowance and other expenses	123,990	168,166	193,153	256,530
Total travel expenses	223,183	349,878	365,117	564,264
4.3: Supplies, consumables and other running costs				
Office supplies and consumables	127,680	100,090	159,319	123,493
Telecommunications and information technology	1,826,566	1,589,539	2,009,751	1,769,258
Rent, rates and insurance	1,436,777	1,429,132	1,462,524	1,457,063
Utilities	659,138	666,684	682,251	705,674
Medical costs	16,146	28,435	16,146	28,435
Library books, magazines, subscriptions	35,587	43,239	239,629	258,165
Hospitality	31,371	13,009	60,863	34,836
Vehicle, local transport and hotel accommodation	11,044	19,640	27,327	26,617
Postage, telephone and freight	350,350	287,944	425,549	350,170
Equipment, furniture and local procurement	1,007,385	1,139,475	996,196	1,169,497
Building maintenance	1,834,571	906,180	1,845,037	911,493
Other operational costs	-	-	259,473	200,322
Total supplies, consumables and other running costs	7,336,615	6,223,367	8,184,065	7,035,023
4.4: Costs related to trading activities				
Cost of Sales IMO Publications	756,964	554,661	756,964	554,661
Cost of Sales Model courses	6,804	6,519	6,804	6,519
Loss/(gain) on Physical Inventory	(2,992)	1,682	(2,908)	1,682
Publications issued free of charge	1,452	5,434	1,452	5,434
Provision for return of obsolete publications	38,766	41,563	38,766	41,563
Printing (contract - out)	9,918	33,536	9,918	33,536
Electronic publishing (IMO/Vega)	198,015	180,020	198,015	180,020
Catering food and supplies	190,908	185,802	190,908	185,802
Public relations articles held by WMU	-	-	5,245	4,757
Total costs related to trading activities	1,199,835	1,009,217	1,205,164	1,013,974

	IMO		Consolidated	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
4.5: Outsourced services				
Security services	14,318	348,246	57,631	384,694
Cleaning services	-	366,440	160,097	517,845
Telecommunications/IT related services	-	-	44,105	65,987
Catering services	-	-	146,325	162,374
Leases	53,714	55,590	53,714	55,590
Sub-contract delivery of Technical Cooperation activities	601,712	845,239	601,712	845,239
Total outsourced services	669,744	1,615,515	1,063,584	2,031,729
4.6: Training and development				
Staff training	29,102	47,977	69,274	52,581
Fellowships	573,445	1,416,102	1,971,605	1,933,527
Group training including participant travel	585,189	434,200	408,675	339,530
Student costs (WMU and IMLI)	-	-	163,848	207,229
Total training and development	1,187,736	1,898,279	2,613,402	2,532,867
4.7: Depreciation, amortization and impairment				
Depreciation of property, plant and equipment	678,594	659,289	800,154	818,163
(Gain)/loss on disposal of property, plant and equipment	-	(27,287)	-	(23,200)
Amortization of intangible assets	6,404	106,601	58,792	154,002
Impairment of IMO publications	69,169	401,393	69,171	401,393
Total depreciation, amortization and impairment	754,167	1,139,996	928,117	1,350,358
4.8: Return of unspent funds	136,459	257,778	136,459	257,778
4.9: Other expenses				
Jointly financed UN bodies	112,289	120,182	112,289	120,182
Bank charges	164,805	172,681	196,146	191,766
External audit	56,608	50,160	93,412	86,082
Other miscellaneous expenses	319,662	144,834	495,518	219,088
Total other expenses	653,364	487,857	897,365	617,118
4.10: Currency exchange (gain)/loss	(67,229)	949,274	(1,329,372)	2,864,790

155 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.

156 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.

157 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(2020: £1,195,751).

- 158 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.
- 159 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.
- 160 Training and development include 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.
- 161 Other expenses include shared costs of jointly financed UN bodies, public information (including IMO News and publicity), bank charges and external audit fees.

NOTE 5: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

- 162 Explanations of material differences between the original budget and the final budget as well as between the final budget and the actual amounts are presented under the Financial and Budget Performance Highlights section of the Secretary-General's Statement.
- 163 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 flows from operating activities, investing activities and financing activities, derived by identifying differences relating to basis, presentation and entity.
- 164 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 the purchase of a new asset while the IPSAS-based expenditure recognized in Statement II shows depreciation over the life of the asset.
- 165 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.
- 166 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.
- 167 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.

168 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 2021 is shown below. Budget amounts have been presented on a functional classification basis in accordance with the approved budget for 2021, which presents a breakdown of the budget for purposes of the above comparison. The amount of surplus of £5,179,237 for 2021 shown in Statement V(a) which is for IMO only, has been reconciled to the net increase in cash and cash equivalents of £7,914,076 presented in Statement IV (IMO 2021), and the details of the reconciliation are presented in the table below. Operating activities in the table below includes two figures shown separately in Statement IV – the negative effect of exchange rate changes on cash and cash equivalents of £160,661.

Adjustments pertaining to cash flows from:		Operating activities	Investing activities	Financing activities	Total
IMO		GBP	GBP	GBP	GBP
Actual amounts on a comparable basis as presented in the Budget and Actual comparative Statement	A	5,179,237	-	-	5,179,237
Basis differences	(a)	(2,386,004)	(139,911)	(101,825)	(2,627,740)
Entity differences	(b)	3,720,885	(12,133)	-	3,708,752
Presentation differences	(c)	1,653,827	-	-	1,653,827
Total Differences	B=a+b+c	2,988,707	(152,044)	(101,825)	2,734,839
ACTUAL AMOUNTS IN THE STATEMENT OF CASH FLOWS	C=A+B	8,167,945	(152,044)	(101,825)	7,914,076

169 The reconciliation of the amount of surplus of £7,573,006 shown in Statement V(b) which is for the consolidated entity including WMU and IMLI, has also been made to the net increase in cash and cash equivalents of £8,115,422 indicated in Statement IV (Consolidated 2021), as shown in the table below. While IMO's budget is approved by the IMO Assembly, the budgets of WMU and IMLI are approved by their separate governing bodies – the Board of Governors (WMU) and the Governing Board (IMLI). As neither WMU nor IMLI's budgets are approved by IMO's governing body, the IMO Assembly, both are treated as part of the entity differences in the reconciliation table shown below with a total amount of £1,516,327 for both WMU and IMLI.

Adjustments pertaining to cash flows from:		Operating activities	Investing activities	Financing activities	Total
Consolidated		GBP	GBP	GBP	GBP
Actual amounts on a comparable basis as presented in the Budget and Actual comparative Statement	A	7,573,006	-	-	7,573,006
Basis differences	(a)	(2,386,004)	(139,911)	(101,825)	(2,627,740)
Entity differences	(b)	4,462,779	(2,946,452)	-	1,516,327
Presentation differences	(c)	1,653,829	-	-	1,653,829
Total Differences	B=a+b+c	3,730,604	(3,086,363)	(101,825)	542,416
ACTUAL AMOUNTS IN THE STATEMENT OF CASH FLOWS	C=A+B	11,303,610	(3,086,363)	(101,825)	8,115,422

170 As noted in paragraph 163, IMO's budget is prepared on a 'modified accruals' basis, while both WMU and IMLI budget on a full accruals basis.

NOTE 6: SEGMENT REPORTING**Note 6.1: Segmental Statements of Financial Position as at 31 December 2021****Note 6.1.1: Statement of Financial Position by Segment – IMO**

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Elimination	Grand Total
	GBP	GBP	GBP	GBP	GBP
ASSETS					
Current assets					
Cash and cash equivalents	36,799,585	7,635,368	44,635,689	-	89,070,642
Contributions receivable	227,155	-	764,622	-	991,777
Inventories	-	416,418	-	-	416,418
Advances to sub-contractors and partners	-	-	589,298	(25,878)	563,420
Inter-segment sums receivable	754,789	17,014	439,349	(1,211,152)	-
Other receivables	1,653,957	323,126	949,732	-	2,926,815
Total Current Assets	39,435,486	8,391,926	47,378,690	(1,237,030)	93,969,072
Non-current assets					
Property, plant and equipment	660,022	30,520	21,969	-	712,511
Intangible assets	2,594	-	-	-	2,594
Total non-current assets	662,616	30,520	21,969	-	715,105
TOTAL ASSETS	40,098,102	8,422,446	47,400,659	(1,237,030)	94,684,177
LIABILITIES					
Current liabilities					
Payables and accruals	1,867,856	573,908	3,873,905	(25,878)	6,289,791
Provisions for warranties	-	63,032	-	-	63,032
Inter-segment sums payable	394,464	203,871	612,817	(1,211,152)	-
Employee benefits	341,354	569	7,969	-	349,892
Finance lease liabilities	-	-	-	-	-
Total current liabilities	2,603,674	841,380	4,494,691	(1,237,030)	6,702,715
Non-current liabilities					
Employee benefits	50,657,697	-	-	-	50,657,697
Total non-current liabilities	50,657,697	-	-	-	50,657,697
TOTAL LIABILITIES	53,261,371	841,380	4,494,691	(1,237,030)	57,360,412
NET ASSETS	(13,163,269)	7,581,066	42,905,968	-	37,323,765
FUND BALANCES AND RESERVES					
Fund balances and reserves	(13,722,507)	5,797,707	37,242,308	-	29,317,508
Surplus/(deficit) for the year	559,238	1,783,359	5,663,660	-	8,006,257
TOTAL FUND BALANCES AND RESERVES	(13,163,269)	7,581,066	42,905,968	-	37,323,765

Note 6.1.2: Statement of Financial Position by Segment – Consolidated (GBP)

	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	36,799,585	7,635,368	44,635,689	17,941,917	-	107,012,559
Contributions receivable	227,155	-	764,622	17,412	-	1,009,189
Inventories	-	416,418	-	55,387	-	471,805
Advances to sub-contractors and partners	-	-	589,298	-	(100,078)	489,220
Inter-segment sums receivable	754,789	17,014	439,349	-	(1,211,152)	-
Other receivables	1,653,957	323,126	949,732	1,444,972	(776,491)	3,595,296
Total Current Assets	39,435,486	8,391,926	47,378,690	19,459,688	(2,087,721)	112,578,069
Non-current assets						
Investments	-	-	-	5,718,806	-	5,718,806
Property, plant and equipment	660,022	30,520	21,969	295,897	-	1,008,408
Intangible assets	2,594	-	-	34,599	-	37,193
Total non-current assets	662,616	30,520	21,969	6,049,302	-	6,764,407
TOTAL ASSETS	40,098,102	8,422,446	47,400,659	25,508,990	(2,087,721)	119,342,476
LIABILITIES						
Current liabilities						
Payables and accruals	1,867,856	573,908	3,873,905	7,015,189	(876,569)	12,454,289
Provisions for warranties	-	63,032	-	-	-	63,032
Inter-segment sums payable	394,464	203,871	612,817	-	(1,211,152)	-
Employee benefits	341,354	569	7,969	38,780	-	388,672
Total current liabilities	2,603,674	841,380	4,494,691	7,053,969	(2,087,721)	12,905,993
Non-current liabilities						
Employee benefits	50,657,697	-	-	1,591,621	-	52,249,318
Total non-current liabilities	50,657,697	-	-	1,591,621	-	52,249,318
TOTAL LIABILITIES	53,261,371	841,380	4,494,691	8,645,590	(2,087,721)	65,155,311
NET ASSETS	(13,163,269)	7,581,066	42,905,968	16,863,400	-	54,187,165
FUND BALANCES AND RESERVES						
Fund balances and reserves	(13,722,507)	5,797,707	37,242,308	13,000,106	-	42,317,614
Surplus/(deficit) for the year	559,238	1,783,359	5,663,660	3,863,294	-	11,869,551
TOTAL FUND BALANCES AND RESERVES	(13,163,269)	7,581,066	42,905,968	16,863,400	-	54,187,165

Note 6.2: Segmental Statements of Financial Performance for the year ended 31 December 2021**Note 6.2.1: Statement of Financial Performance by Segment – IMO**

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Elimination	Grand Total
	GBP	GBP	GBP	GBP	GBP
Revenue					
Assessed contributions	33,616,939	-	-	-	33,616,939
Donor contributions	-	-	10,555,607	-	10,555,607
Commercial activities	466,995	12,028,490	315,658	-	12,811,143
Other revenue	126,596	2,452	116,928	-	245,976
Support costs earned	1,280,075	-	-	(1,280,075)	-
Inter-segment transfers	3,184,915	-	3,694,972	(6,879,887)	-
TOTAL REVENUE	38,675,520	12,030,942	14,683,165	(8,159,962)	57,229,665
Expenses					
Staff and other personnel costs	29,993,372	2,234,439	4,901,723	-	37,129,534
Travel expenses	112,566	1,276	109,341	-	223,183
Supplies, consumables and other running costs	5,178,299	1,257,209	901,107	-	7,336,615
Cost related to trading activities	-	1,199,835	-	-	1,199,835
Outsourced services	14,347	53,685	601,712	-	669,744
Training and development	29,102	-	1,158,634	-	1,187,736
Support costs charged	-	627,148	652,927	(1,280,075)	-
Depreciation, amortization and impairment	650,783	81,388	21,996	-	754,167
Return of unspent funds	-	-	136,459	-	136,459
Other expenses	180,178	111,569	361,617	-	653,364
Inter-segment transfers	1,961,132	4,689,202	229,553	(6,879,887)	-
TOTAL EXPENSES	38,119,779	10,255,751	9,075,069	(8,159,962)	49,290,637
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	555,741	1,775,191	5,608,096	-	7,939,028
Currency exchange gain/(loss)	3,497	8,168	55,564	-	67,229
SURPLUS/(DEFICIT) FOR THE YEAR	559,238	1,783,359	5,663,660	-	8,006,257

Note 6.2.2: Statement of Financial Performance by Segment – Consolidated (GBP)

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Education and Research	Elimination	Grand Total
Revenue						
Assessed contributions	33,616,939	-	-	-	-	33,616,939
Donor voluntary contributions	-	-	10,555,607	6,235,187	-	16,790,794
Commercial activities	466,995	12,028,490	315,658	1,987,747	(126,483)	14,672,407
Fellowship	-	-	-	6,411,168	(388,512)	6,022,656
Other revenue	126,596	2,452	116,928	820,273	(164,814)	901,435
Support costs earned	1,280,075	-	-	-	(1,280,075)	-
Inter-segment transfers	3,184,915	-	3,694,972	-	(6,879,887)	-
TOTAL REVENUE	38,675,520	12,030,942	14,683,165	15,454,375	(8,839,771)	72,004,231
Expenses						
Staff and other personnel costs	29,993,372	2,234,439	4,901,723	8,976,661	(35,416)	46,070,779
Travel expenses	112,566	1,276	109,341	141,934	-	365,117
Supplies, consumables and other running costs	5,178,299	1,257,209	901,107	880,795	(33,345)	8,184,065
Cost related to trading activities	-	1,199,835	-	5,329	-	1,205,164
Outsourced services	14,347	53,685	601,712	393,840	-	1,063,584
Training and development	29,102	-	1,158,634	2,050,935	(625,269)	2,613,402
Support costs charged	-	627,148	652,927	-	(1,280,075)	-
Depreciation, amortization and impairment	650,783	81,388	21,996	173,950	-	928,117
Return of unspent funds	-	-	136,459	-	-	136,459
Other expenses	180,178	111,569	361,617	264,739	(20,738)	897,365
Inter-segment transfers	1,961,132	4,689,202	229,553	-	(6,879,887)	-
TOTAL EXPENSES	38,119,779	10,255,751	9,075,069	12,888,183	(8,874,730)	61,464,052
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	555,741	1,775,191	5,608,096	2,566,192	34,959	10,540,179
Currency exchange gain/(loss)	3,497	8,168	55,564	1,297,102	(34,959)	1,329,372
SURPLUS (DEFICIT) FOR THE YEAR	559,238	1,783,359	5,663,660	3,863,294	-	11,869,551

171 Some internal activities result in accounting transactions which create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above statements to accurately present these financial statements, the most significant examples of which are the Council-mandated transfers from the Trading Fund to other organizational funds. The aggregate amount was £4,685,000 of which £3,560,600 was to the Technical Cooperation Fund and £1,124,400 was to the Core Programme. In addition, there are support costs totalling £652,927 charged on extra-budgetary activities and £627,148 charged to the Trading Activities to reimburse costs incurred by the Core Programme.

172 IMO provides funding support to WMU and IMLI to finance their fellowship and related programmes, which is recognised as expenditure by IMO and as revenue by WMU and IMLI. These transactions, which are eliminated in arriving at the consolidated position, amount to £365,746 between IMO and WMU, and £314,062 between IMO and IMLI.

173 A brief summary of the goods and services provided under each segment, and their objectives, is set out in Note 1, under section Fund Accounting and Segment Reporting.

NOTE 7: COMMITMENTS AND CONTINGENCIES**Note 7.1: Commitments**

174 As at 31 December 2021, IMO had commitments for goods and services including consultancy contracted but not delivered as follows:

	2021 GBP	2020 GBP
Purchase of services including consultancy	5,377,961	2,639,417

175 The actual discharge of the 2020 commitments in 2021 is £1,842,828, the breakdown of which is shown below:

	2020 Commitments GBP	2021 Discharge GBP
Regular budget strategic results	111,775	92,889
Trading activities	626,398	571,838
Headquarters capital	129,919	128,476
Termination benefit	-	-
Technical cooperation (TC Fund)	961,401	844,159
Sub-total	1,829,493	1,637,362
Technical cooperation (Donor Funds)	809,924	205,466
TOTAL	2,639,417	1,842,828

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

Note 7.2: Legal or Contingent Liabilities

177 As at 31 December 2021, there are no contingent liabilities arising from legal actions and claims that will likely result in a significant liability to IMO and to the consolidated group.

178 The Organization, in conjunction with UNDP, conducted a review of all historical balances under the UNDP Service Clearing Account (SCA), and its predecessor the Interoffice Voucher (IOV) scheme, under which UNDP provides services to other UN system organizations, and the Project Clearing Account (PCA), through which UNDP acts as a donor for IMO extra-budgetary activities. While the Organization's financial statements reflect amendments arising as a result of that review, there remains a net difference on the PCA accounts of \$406,688, as at 31 December 2020, between IMO and UNDP. Discussions between IMO and UNDP on an agreeable resolution of this difference is currently on-going.

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

179 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 2021, no ex-gratia payments were made.

180 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 2021, irrecoverable receivables resulted in write-offs to the amount of £481 for IMO.

181 During 2021, one case of presumptive fraud was identified at IMO, the review of which is ongoing. WMU and IMLI did not report any cases of ex-gratia payments, write-offs, fraud, and presumptive fraud in 2021.

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 2021	Outstanding Loans and Advances against entitlements 31.12.2021
	GBP	GBP	GBP	GBP	GBP
IMO					
8.96	1,364,377	195,407	311,848	1,871,632	17,127
Consolidated					
10.96	1,895,463	195,407	431,627	2,522,497	17,127

182 Key management personnel of IMO are the Secretary-General, six Divisional Directors and two Departmental Chiefs/Heads. Key management personnel of the consolidated group include the President of the WMU and the Director of the IMLI, as they have the authority and responsibility for planning, directing and controlling the activities of the consolidated group.

183 The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements (such as representation allowance and other allowances); assignment and other grants; rental subsidy; personal effects shipment costs; employer pension; and current health insurance contributions. The outstanding advance represents the amount paid against the education grant entitlement to one key management personnel which is available to all professional staff. No close family member of the key management personnel was employed by the Organization during the year. The full-time equivalent of one key management personnel was determined up to 17 December 2021, the date of separation from the Organization.

184 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

185 Within the context of IPSAS 20 – "Related Party Disclosures", the UN International Computing Centre (ICC) was identified as a related party.

186 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. As at 31 December 2021, 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.

NOTE 10: OTHER CHANGES IN NET ASSETS

187 In addition to the actuarial gain of £2,311,195 reported in Note 2.11, exchange rate differences arose due to converting the opening net assets of WMU and IMLI, whose functional currencies are Swedish Krona and Euro respectively, at the 2021 closing rate which differs from the 2020 closing rate, and the resulting differences are presented as a separate component of net assets/equity in accordance with IPSAS 4.

	IMO GBP	WMU GBP	IMLI GBP	TOTAL GBP
Closing balance at 31.12.2020 exchange rate	-	11,477,498	2,742,151	14,219,649
Opening balance at 31.12.2021 exchange rate	-	9,745,685	2,267,732	12,013,417
Exchange rate effect	-	(1,731,813)	(474,419)	(2,206,232)
Actuarial gain for the year	2,311,195	-	-	2,311,195
TOTAL	2,311,195	(1,731,813)	(474,419)	104,963

NOTE 11: EVENTS AFTER REPORTING DATE

188 IMO's reporting date is 31 December 2021. On the date of the signing of the Financial Statements, 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
IMO	International Maritime Organization	4 Albert Embankment London, SE1 7SR United Kingdom
General Counsel Director, Legal Affairs and External Relations Division	Mr. F. J. Kenney	4 Albert Embankment London, SE1 7SR United Kingdom
Actuary	Barnett Waddingham LLP	2 London Wall Place 123 London Wall London, EC2Y 5AU United Kingdom
Principal Banker	J.P. Morgan Chase	JP Morgan Chase Bank N.A. 25 Bank Street, Canary Wharf London, E14 5JP United Kingdom
External Auditor	Chairperson, The Audit Board of the Republic of Indonesia	The Audit Board of the Republic of Indonesia Jalan Gatot Subroto No. 31, Jakarta – Indonesia