

INTERNATIONAL MARITIME ORGANIZATION

FINANCIAL STATEMENTS

YEAR ENDED 31.12.2013

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SECRETARY-GENERAL'S STATEMENT

INTRODUCTION

1 In accordance with financial regulation 12.10, I have the honour to submit to the Council, for its examination and onward transmission to the Assembly, the financial statements of the International Maritime Organization (IMO) for the year ended 31 December 2013.

2 The Report of the External Auditor on the audit of the 2013 financial statements, together with his opinion thereon, are also submitted to the Council as prescribed under financial regulation 12.10.

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

4 In 1948, an international conference in Geneva adopted a convention formally establishing the Intergovernmental Maritime Consultative Organization (IMCO). The Convention entered into force in 1958 and the Organization came into being in 1959. In 1982, the original name was changed to the International Maritime Organization. The Headquarters of the Organization are in London and its complement is approximately 300 staff members, including project staff and Associate Professional Officers. IMO's principal place of business, as well as the names and addresses of its General Counsel, actuary, principal bankers and external auditor are indicated at 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 170 Member States, with an elected Council of 40 Member States performing, in accordance with Article 26 of its constitutive Convention, all functions of the Assembly, with the exception of some technical matters, between sessions of the Assembly.

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

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

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

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

Enhancing the status and effectiveness of IMO

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

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

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

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

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

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

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

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

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

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

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

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

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

SD 8 IMO will seek to ensure that measures to promote safe, secure and environmentally sound shipping do not unduly affect the efficiency of shipping. It will also constantly review such measures to ensure their adequacy, effectiveness and relevance, using

the best available tools, thereby securing better regulation without unnecessary or disproportionate administrative requirements. The Organization will periodically review administrative provisions of existing conventions and mandatory instruments with the aim of finding improved, more efficient solutions for those administrative requirements that are necessary. Those provisions of existing conventions and mandatory instruments that have become unnecessary and/or burdensome will also be reformed and/or eliminated without compromising safety, security and the protection of the environment.

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

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

Enhancing the profile of shipping, quality culture and environmental conscience

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

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

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

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

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

SERVICE DELIVERY – HIGHLIGHTS OF 2013

9 2013 saw IMO actively pursuing its targets and objectives in a wide range of subject areas. Some of the highlights of what was a busy, varied and successful year for the Organization are summarized below.

Maritime Safety

10 Amendments to SOLAS relating to lifeboat safety entered into force in January 2013, while important new amendments were adopted during the year, including a requirement for musters on passenger ships to take place prior to departure and new requirements for mandatory enclosed-space entry and rescue drills. In June, IMO held a Symposium on the Future of Ship Safety, which recommended a full review of the current regulatory regime. Work on developing the polar code continued. The Cape Town 2012 fishing vessel safety agreement received its first signatures.

Environmental Protection

11 Landmark energy-efficiency measures for ships entered into force in January 2013 and this was followed up with further work to support their implementation and extend the requirements to ship types not already covered. Revised garbage regulations also entered into force. Further ballast water management systems were given final approval and a recommendation on implementation of the Ballast Water Management Convention was adopted by the Assembly. The environmental requirements of the draft polar code were developed. Amendments to the Protocol to the London Convention, to regulate marine geo-engineering, specifically ocean fertilization, were adopted. An IMO working group agreed Terms of Reference for a greenhouse gas study update and another group agreed to reclassify high-viscosity PIB (polyisobutylene) to protect the environment.

Sustainable Maritime Transportation System

12 An IMO symposium on a Sustainable Maritime Transportation System, held on World Maritime Day 2013, provided an opportunity for a broad discussion on the topic and the launch of the Sustainable Maritime Transportation System concept document. The symposium reflected the World Maritime Day theme: "Sustainable Development: IMO's contribution beyond Rio+20". The Republic of Peru hosted the 2013 IMO World Maritime Day Parallel Event.

Security and anti-piracy measures

13 IMO was involved in a series of capacity-building projects addressing maritime security and anti-piracy measures and established a trust fund to support the implementation of maritime security projects in west and central Africa. Through the adoption of a resolution on prevention and suppression of piracy, armed robbery against ships and illicit maritime activity in the Gulf of Guinea, the twenty-eighth session of the Assembly showed IMO's commitment to support the States of the Gulf of Guinea to counter such threats in their region.

Legal matters

14 IMO adopted guidance for dealing with crimes at sea and celebrated the 100th session of the Legal Committee.

Projects and technical cooperation

15 IMO conducted more than 60 regional activities and numerous seminars, workshops and other projects during 2013, while the Organization continued to develop maritime country profiles, to identify the technical cooperation needs of IMO Members.

Implementing IMO measures

16 IMO adopted key resolutions and amendments relating to the Organization's mandatory audit scheme, which will greatly assist Member States in discharging their obligations under IMO's global rules, thereby enhancing safety and environmental protection even further; agreed a restructuring of the sub-committees; adopted amendments to make mandatory the Code for Recognized Organizations (ROs); and carried out a public consultation on administrative burdens in existing IMO instruments.

Campaigns and outreach

17 The Day of the Seafarer was celebrated for its third year, reaching hundreds of thousands of people. The Secretary-General blogged from all over the world, land and sea; IMO increased its presence on social media and produced a series of videos and podcasts.

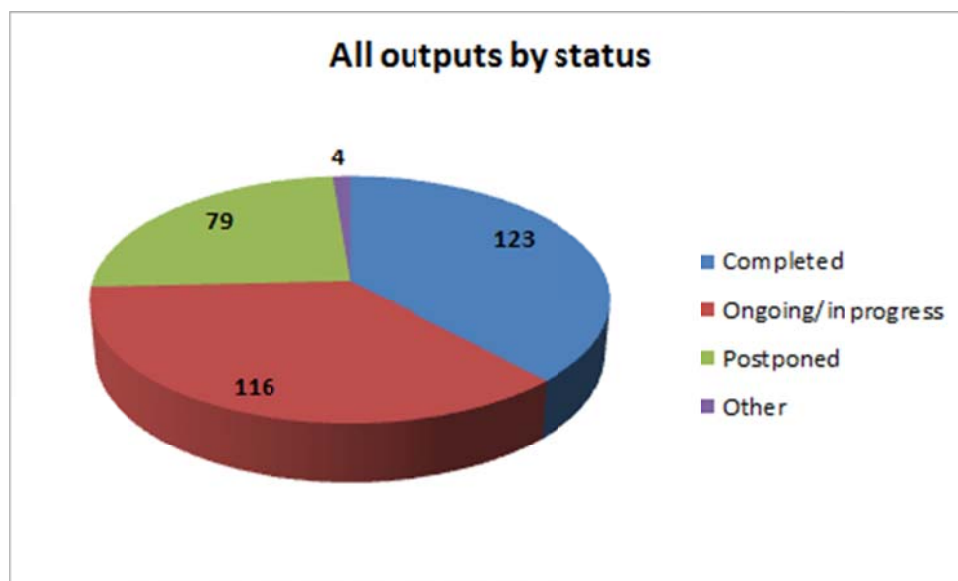
MONITORING OF OUTPUTS AND OUTCOMES

18 In monitoring the delivery of its strategic directions, and thereby the outcomes that reflect the delivery of its mission, the Organization considers 21 key performance indicators (KPIs) that provide a sense of the outcomes achieved, in part, through the delivery of the Organization's mandate.

19 Data on each KPI, along with appropriate analysis, is provided by the Secretariat to the ad hoc Council Working Group on the Organization's Strategic Plan (CWGSP). The most recent meeting of that Working Group, in October 2013, considered an analysis of performance against those KPIs. The Working Group's report was then submitted as document C/ES.27/3 to the twenty-seventh extraordinary session of the Council for consideration.

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

21 Figure 1 below shows the status of delivery of the 322 outputs that were active under the HLAP for the 2012-2013 biennium. It should be noted that the HLAP adopted as A.1038(27) consisted of 315 planned outputs with one output being added to the plan subsequently as it had been omitted by mistake. In order to exclude duplications of planned outputs, 18 planned outputs were then deleted or transferred to the post-biennial agenda for work to be carried out in future years, with a further 24 unplanned outputs being approved by the relevant IMO organs during the biennium.

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

22 Of the 322 biennial outputs, 38% were completed by the end of the biennium. The second largest category, representing some 36%, are still ongoing/in progress and is composed, not unexpectedly, of recurrent annual work by the IMO organs concerned. 24% of outputs were postponed – the high number is, in turn, attributed to a change in the way monitoring is carried out, as this category now also encompasses outputs where no work was carried out for a number of reasons, or outputs where subsidiary organs have finalized the substantive work, with the parent organ approving the outcome in the subsequent biennium.

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

Table 1: Status of outputs as at 31 December 2013 by strategic direction

Strategic Direction	Completed	Ongoing/ In progress	Postponed	Total	% total
SD1: Remain primary international maritime forum	6	45	4	55	17.1%
SD2: Foster compliance and implementation	17	11	7	35	10.9%
SD3: Strengthen capacity building	15	7	0	22	6.8%
SD4: Governance, management and administration	20	7	4	31	9.6%
SD5: Enhance safety	40	23	36	99	30.7%
SD6: Enhance security	1	5	2	8	2.5%
SD7 Reduce environmental impact	13	6	13	32	9.9%
SD8: Enhance efficiency of shipping	4	1	9	14	4.3%
SD9: Increased attention to SIDS and LDCs	1	2	0	3	0.9%
SD10: Apply goal-based standards	0	1	1	2	0.6%
SD11: Raise profile of shipping	5	1	1	7	2.3%
SD12: Enhance quality of shipping	5	6	0	11	3.5%
SD13: Enhance environmental consciousness	2	1	0	3	0.9%
Total	129	116	77	322	100%

24 The foregoing analysis of service delivery complies with the guidance provided by IPSAS and resolution A.1062(28)¹ for reporting on organizational performance at the level of the Organization's strategic directions, high-level actions and biennial outputs. However, this reporting model reflects, in the main, the outcome of the work of IMO's regulatory bodies, which results from the technical and political consultation and debates between Member Governments and industry and civil society entities in consultative status.

25 The HLAP – and, as a consequence, the results-based budget – has until now also involved service delivery by the Secretariat, both in connection with the above-mentioned regulatory work (i.e. technical meeting support, translation, documentation and conference

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

services), but also in other areas (i.e. provision of advisory services, technical cooperation, legal services as depositary of IMO instruments, financial, human resources, information communication technology (ICT) and procurement services, commercial trading activities, collaboration with the UN System, protocol, liaison and representation services, etc.).

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

Financial Resources

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

Governance and management

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

IPSAS-compliant Financial Statements

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

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

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

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

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

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

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

35 The financial obligation of IMO to the UNJSPF comprises its mandated contribution at the rate established by the United Nations General Assembly, together with a share of any actuarial deficiency payments. The actuarial method adopted for the UNJSPF is the Open Group Aggregate method carried out every two years. The most recent actuarial valuation completed was at 31 December 2011, with an updated valuation underway based on the data as at 31 December 2013. The United Nations General Assembly has maintained over the years the general criteria that guide the investment of the assets of the UNJSPF.

36 The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. As neither IMO nor the UNJSPF are in a position to identify IMO's share of the underlying financial position and performance of the plan with

² <http://www.UNJSPF.org>

sufficient reliability in line with IPSAS 25, IMO accounts for the plan as a defined contribution rather than as a defined benefit plan.

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

FINANCIAL RISK MANAGEMENT

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

39 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.

40 IMO's activities expose it to a variety of financial risks, including the effects of fluctuations in currency exchange rates and interest rates; and defaults by investment counterparties and debtors in meeting their obligations. In managing financial risks, IMO's investment policy takes into account the unpredictability of financial markets and seeks to minimize, where feasible, any potential adverse effects on the Organization's financial performance, the focus being on capital retention rather than maximizing revenue.

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

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

43 As at 31 December 2013, 69% of cash, cash equivalents and short-term investments were denominated in the GBP base currency. Non-GBP holdings primarily relate to contributions made by donors in currencies other than GBP where any return of funds would be in the currency of the donation.

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

FINANCIAL AND BUDGET PERFORMANCE HIGHLIGHTS

45 The net assets position presented in Statement I shows a healthy financial situation for the Organization as a whole, with a closing net assets position of £12,984,892 (2012: £15,369,890), although this represents a decrease of £2,384,998 (2012: decrease of £713,380) from the opening balance on 1 January 2013.

46 Looking, first, at the closing net assets position, it should be noted that, while the overall situation is strong, the reserves available to the Organization for future use are not without restrictions. Note 2.12 in the financial statements breaks down the overall reserve picture into the Organization's major funds, and it may be seen that, of the overall £12,984,892 (2012: £15,369,890) closing balance, £12,719,229 (2012: £15,047,468) relates to Multi-donor Trust Funds or the net position under bilateral agreements with individual donors. Such funds can only be applied in accordance with the Terms of Reference of the Fund concerned or the appropriate contractual agreement with the donor, respectively, and, as such, there are significant restrictions over their future use. The Working Capital Fund, the Headquarters Capital Fund, the Training and Development Fund and the Technical Cooperation Fund are all in a relatively strong financial position at present – noting that much of the surplus on the Trading Fund will, in due course, be transferred to the Technical Cooperation Fund in accordance with Assembly resolution A.1063(28). The positive position in the General Fund reflects the fact that the Organization's long-term After Service Health Insurance (ASHI) liability of £28,868,716 is shown under the Termination Benefit Fund in accordance with Assembly resolution A.991(25). These liabilities are presently unfunded, and are reflected in the Termination Benefit Fund deficit as at 31 December 2013 of £28,204,221.

47 The decrease in cash and cash equivalents during 2013 is in part a reflection of the operating deficit during the year, but also reflects a reduction in the GBP value of the Organization's holdings of US dollars of some £655,823 due to changes in foreign exchange rates between the two currencies during the year. In addition, funds of £213,243 were returned to the World Bank and the European Commission on successful administrative conclusion of the Marine Electronic Highway (MEH) and SAFEMED II projects, respectively. The majority of the Organization's US dollar holdings are in respect of Multi-donor Trust Funds and other donor funds, which are budgeted, managed and reported in US dollars rather than GBP.

48 There has been a significant reduction in the sums due from donors, primarily as a result of the settlement of the MEH project balances mentioned earlier. This is, in part, offset by sums due on a number of donor agreements signed towards the end of 2013, primarily an agreement with NORAD to fund a project related to ship recycling in Bangladesh.

49 Inventories, reflecting our stock of publications held for re-sale, are at a level comparable with prior years, with a slight increase from 2012 primarily due to the timing of year-end purchases.

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

the payables and accruals figure relating to non-exchange transactions to £3,664,403 (2012:£5,380,500). Again, this reduction primarily reflects the settlement of balances under the MEH project.

51 The Organization's year-end employee benefit liabilities balance of £33,428,097 (2012: £29,887,634) mainly reflects obligations to current staff and retirees for ASHI, repatriation benefits and accrued annual leave, which have increased to £33,092,991 (2012: £29,821,928). These liabilities were subject to actuarial valuation at 31 December 2013, and a part of the increase (£1,726,125) is due to actuarial losses on the ASHI scheme arising as a result of changes in assumptions on the rates at which future liabilities are discounted and on the expected trend increases on the inflation rate for medical costs, to bring those assumptions into line with current long-term forecasts. The remainder of the increase, however, is due to the fact that interest costs, which reflect the increase in the liability arising from being one year closer to settlement, and service costs reflecting the increase in the liability as a result of services provided by current staff in the year, are in aggregate £1,454,724 higher than the amounts paid by the Organization during 2013 for the provision of ASHI services to current retirees. This imbalance between the amounts being paid on a "pay as you go" basis for current retirees and the actual costs to the Organization for current staff and retirees, is likely to result in an increasing obligation in the future, a situation which will require careful monitoring.

52 Turning now to the operating deficit for the year which is reflected in the Statement of Financial Performance, the Assembly, by resolution A.1039(27), approved for 2013 both an income of £42,213,000 and an appropriation of £44,842,600 under IMO's budgetary Funds.

53 The presentation of the budget status shown in Statement Va (IMO only statement) is on a modified accrual basis, instead of a full accrual basis. In this context, actual receipts of £30,361,645 in 2013 for assessment contributions include receipts both for 2013 and for prior years and represent 0.6% (£191,645) above the assessment income budget of £30,170,000. The support costs income received was £1,342,894, representing 98% of the budget set for 2013, and it was received from two main sources: one is the Trading Fund, which amounted to £652,057, representing some 91% of the planned amount of £713,000; the other represents various donor and trust Funds, other UN agencies and the Technical Cooperation Fund, which totalled £690,837 for 2013, representing approximately 4% above the estimated £663,000 for the year.

54 In addition to assessed contributions and support costs, income from other sources primarily reflected commercial activities conducted through the Trading Fund. The Trading Fund income realized in 2013 increased by 3% to £11,875,566 from the outturn in 2012 of £11,545,426, representing an excess of 13% over the income budget of £10,527,000. The successful achievement was mainly attributable to increased sales both on account of catering as well as publications which, in particular, included new titles marketed during the second half of 2013, namely the GMDSS Manual 2013; Ships Routeing 2013 and Solid Bulk Cargoes (IMSBC).

55 Other miscellaneous income for 2013 amounted to £257,212, representing 84% over and above the amount of £140,000 originally estimated for the year. The expansion in miscellaneous income was mainly due to adjustments in the accounting entries, in lieu of reimbursements made by some programme sponsors (UPS AV System; and STW conference) for expenses incurred by the Organization in previous years.

56 The total income (planned and received) as at the end of December 2013 for WMU and IMLI are added under the heading "Education and research" as shown in Statement Vb (consolidated statement). Actual revenue receipts, which amounted to £9,114,092, showed

that the two educational entities were in fact able to generate 4% more income than the final budget target of £8,777,813, following higher demand for professional and other academic development courses.

57 Overall income under IMO only (Statement Va) was £43,837,317 for 2013, representing an increase of £1,844,905 (4.%) as compared with the outturn in 2012 of £41,992,412, while total income under the consolidated statement (Statement Vb), including WMU and IMLI, was £52,951,409, being £2,382,074 (5%) above the 2012 outturn of £50,569,335.

58 Looking now at expenditure, the overall year-end status of the 2013 budgets shown in Statement Va sets out the original and the final budgets of £44,842,600 and £45,411,000, respectively. The total original budget comprised £31,686,000 (2012: £30,520,200) for the regular budget and £13,156,600 (2012: £13,514,400) for other budgetary Funds (broken down into £6,195,000 (2012: £6,168,000) for the Trading Fund; £1,194,000 (2012: £1,118,000) for the Headquarters Capital Fund; £980,000 (2012: £796,000) for the Termination Benefit Fund; £142,600 (2012: £138,400) for the Training and Development Fund; and £4,645,000 (2012: £5,294,000) for the Technical Cooperation Fund). The final expenditure budget of £45,411,000 included £568,400 brought forward from 2012 to meet unliquidated obligations (ULOs) in accordance with the delivery principle under IPSAS 1. Budgetary savings were made in all IMO activities and subsequent paragraphs contain a brief commentary on variances in the outturn expenditure against the final budgets.

59 The overall budgetary situation of the regular budget's strategic results in 2013 represented an 8.5% underspend (£2,685,272) in the appropriation, which was attributable to improving efficiency and implementing cost saving measures including: firstly, a higher level of vacant work-months generated from posts to be abolished in the 2014-2015 biennium (33 posts in total) and other vacant posts with a comparatively long recruitment process due to difficulties in finding appropriate candidates and making final selections; secondly, the increased number of associate professional officers (APOs) and secondments provided by Member States in 2013 to support the delivery of approved work programmes; thirdly, various changes in working practices which reduced overtime payments and employment of supernumerary staff (e.g. introduction of 1 a.m. deadline, reduction in the number of plenary sessions, more concise reporting, encouragement of compensatory time off, and strictest enforcement of working hours for interpreters as agreed between the UN and AIIC); fourthly, savings in general operating expenses generated from efficient Headquarters building maintenance, reduced communication costs due to the shift to "papersmart" production of documents and use of internet telephony; and, finally, cuts in travel by limiting regular missions to the minimum essential level and finding cheaper travel routes whenever possible.

60 The underspend in the Trading Fund expenditure in 2013 represented 8.6% (£529,617) of the final budget and is largely related to maximum economies both in the operation of the catering and publishing services as well as in negotiations with external suppliers. In particular, serious reductions in the print run for IMO News led not only to savings in production costs but also lower mailing and storage costs. The underspend, together with the increase in income, resulted in net surpluses of £6,207,683. which are almost equivalent to those of 2012 (£6,202,054). It should be noted that the actual Trading Fund expenditure included purchase costs of IMO publications of £1,184,597, recorded under the asset account as at 31 December 2013 titled IMO publications purchases (see Note 2.3); but, in the financial accounting, the cost of IMO publications (inventories) is recognized as an expense only when they are sold, exchanged or distributed, in the year in which the related revenue arises.

61 The status of the Headquarters Capital Fund, based on the outturn as at 31 December 2013, showed a 44% (£308,531) increase when compared with the 2012 outturn (£704,849), but 29% of its budget remained unspent. The main reasons for this include: savings of £100,000 through in-house software development work for a new intranet and e-Docs platforms, rather than relying on contractors/consultants; technical issues which caused delays in the acquisition of backup licenses for Tivoli Storage Management and VMware infrastructure and in the replacement of Wifi systems and some conference equipment; cost savings in SAP investment through better negotiations and bulk and advance purchase of consultants' time; and a postponement in the replacement of lifts and escalators in the Headquarters building. Such mechanical parts of the building are now 25 years old and reaching the end of their useful life, and need to be either replaced or completely refurbished. The total cost of this work was estimated at some £1.5 million (lifts £0.95 million and escalators £0.55 million), of which the Organization will bear 20% (£0.3 million) under the Lease Agreement with the Host Government. Although preparation of the required specifications and tendering processes were carried out in the first half of 2013, the actual work and the settlement of associate costs will now fall in 2014, requiring the re-phasing of the 2013 budget to 2014 in accordance with the Organization's Financial Regulations.

62 The status of the Termination Benefit Fund, as at 31 December 2013, indicated a total expenditure of £962,150, which represented a 98% budget execution rate. Small savings were made in costs associated with the temporary replacement of staff members on long-term sick leave, which did not take place at all in 2013 due to changes in working practices.

63 The outturn in 2013 under the Organization's Training and Development Fund was 67% of the final budget. The underspend in this Fund was mainly due to training programmes undertaken, as far as possible, through the use of in-house facilities with invited instructors, rather than arranging training at external commercial institutions and also to effective price negotiations with outside training establishments. In particular, SAP training was carried out with in-house resources by using SAP Unit staff and SAP 'super-users'. The possibility of external training for SAP users was sought but internal SAP training based on IMO business processes was perceived to be more effective and cost-efficient than standard SAP training.

64 The final budget for activities financed by the Technical Cooperation Fund comprised an original appropriation for 2013 of £4,645,000 and budgets brought forward from 2012 to finance some postponed activities, amounting to £316,500. Overall expenditure under the Technical Cooperation Fund for the Organization's Integrated Technical Cooperation Programme (ITCP), as at 31 December 2013, represented 94% of the final budget of £4,961,500. Cost savings were achieved by obtaining additional in-kind support and cost-effective air ticketing. Other reasons for the surplus balance include: activities to be completed in 2014 and missions postponed to 2014 partly due to unexpected problems and difficulties in the recipient countries, which were outside IMO's control. In some cases, the second phase of activities could not take place due to situations in Member States while, in other cases, there was a lack of response from the maritime administrations to confirm events, or lack of response from countries regarding invitations to events. Extra financing, made available from other sources (various donor/trust funds, industry organizations and partnership arrangements, jointly delivering the programmes), also contributed to the underspend.

65 The budgets and the expenditure relating to WMU and IMLI are converted into GBP using the United Nations operational exchange rate for December 2013 of GBP 0.834 to Euro 1.00 and are included under the expenditure heading 'Education and research' of consolidated Statement Vb. This shows a total budgetary deficit of £22,495 that was largely

attributable to the excess in expenditure over budget in personnel, general administration and miscellaneous costs at WMU.

SUSTAINABILITY

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

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

IMO in transition – 2014 and beyond

68 Beyond the simple matter of financial sustainability, it is possible to look ahead and see 2014-2015 as a transitional biennium for IMO, as we face new priorities and emerging challenges, and as we seek to shape the Organization to face the demands of its stakeholders both now and in the future.

69 For the coming biennium, the challenges are many but may be categorized in three broad areas:

- **Management and effective delivery** – the principle challenge facing IMO in this area is the seamless transition to the new sub-committee structures for the Maritime Safety Committee and Marine Environment Protection Committee, adopted from 1 January 2014. While it is inevitable that there will be some teething problems with the new structure as the changes are made and new working arrangements are adopted, I am confident that IMO's spirit of cooperation will ensure that these are swiftly and amicably addressed with no short-term loss of efficiency. The Organization is also preparing for the implementation of the Mandatory Audit Scheme for Member States coming into effect from 1 January 2016, and there is much groundwork to be laid during the coming biennium to ensure that a practical implementation is achieved, with a precise mechanism and administrative procedures in place to deliver on Member States' expectations within the available budget. Internally within the Secretariat, it will be necessary to review the Secretariat activities and our own ways of working, to continue the efforts of my review and reform programme, and to make further progress on staff mobility while implementing a formal career development policy to ensure that the Secretariat is flexible and agile to respond quickly to changing needs. Finally, WMU will be conducting a major long-term financial sustainability study during 2014, looking at the achievements and impact of that prestigious institution over the 30 years since its founding, and looking ahead to provide a clear vision for the future over the next 30 years; determining how it can best meet the needs of the IMO Member States; reflecting its key role, as an important part of IMO, for technical cooperation and

capacity-building work; and developing options for its future financing and an action plan for the implementation of those options;

- **Technical matters of safety, security and the environment** – the immediate technical priority for 2014 is the resolution of the polar code, and along with that the initiation of a support system for its effective development and implementation from 2016, while ensuring that there is efficient and consistent cooperation and communication with all stakeholders, and including the Arctic Council. With respect to ship safety there are two priority areas for consideration during the biennium – the outcome of the analysis of lessons learned from the **Costa Concordia** incident, which will require intensive discussions to improve systems and procedures, and the follow up to the 2013 Symposium on the Future of Ship Safety to be reviewed by the Maritime Safety Committee with a view to determining an appropriate road map and action plan. From an environmental perspective, the key issue continues to be energy efficiency of the shipping industry, the steady use of the Energy Efficiency Design Index as it moves through its "phase zero" state up to January 2015, and the promotion of essential technology transfers in accordance with the commitments made by Member States. Finally, our anti-piracy efforts will continue to be a key area of focus. The Djibouti Code Project Implementation Unit will conclude its work in 2015 with a strong record of achievement, not least the construction of the Djibouti Regional Training Centre (DRTC). During the transition, the emphasis will be on handing over to signatory countries, and making all necessary efforts to support those countries in building up their own anti-piracy systems while promoting the ongoing use of the DRTC for training and capacity-building initiatives;
- **Technical cooperation and capacity building** – our focus for 2014 and beyond will be the continued implementation of the Country Maritime Profile (CMP) and national maritime policy initiatives, which will enable us to better assess, and therefore respond to, the specific and changing needs of our Member States. To a large extent, these needs should, from 2016, be seen also in the context of the outcomes of the Mandatory Audit Scheme, which will necessarily act as both a progress report on the current status of implementation of relevant IMO instruments, and an input to the identification of future needs. IMO will further support regional efforts aimed at enhancing implementation of standards, along with supporting the coast guard networking which plays such a key role in this respect. There will be a continued emphasis on sustainable maritime development, a matter in which the issue of capacity building plays a major enabling role, along with a new focus on and alignment of our objectives with the United Nations' post-2015 development agenda as it emerges.

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

RESPONSIBILITY

71 As required under financial regulation 12.10, I am pleased to submit the annexed financial statements. I certify that, to the best of my knowledge and information, all transactions during the reporting period have been properly entered in the accounting records of the Organization and that these transactions, together with the financial statements and notes, details of which form part of this document, fairly present the financial position of IMO as at 31 December 2013.

- Statement I - Statement of Financial Position as at 31 December 2013
- Statement II - Statement of Financial Performance for the year ended 31 December 2013
- Statement III - Statement of Changes in Net Assets for the year ended
31 December 2013
- Statement IV - Statement of Cash Flow for the year ended 31 December 2013
- Statement V - Statement of Comparison of Budget and Actual Amounts for the year
ended 31 December 2013

Notes to the Financial Statements



Signed on original

Koji Sekimizu

Secretary-General

London, 13 May 2014

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT I
STATEMENT OF FINANCIAL POSITION
as at 31 December 2013
(GBP)

	Note	IMO		Consolidated	
		2013	2012	2013	2012
ASSETS					
Current assets					
Cash and cash equivalents	2.1	47,338,313	47,765,976	56,065,799	56,910,453
Contributions receivable	2.2	1,180,750	1,890,556	1,188,256	1,897,945
Inventories	2.3	756,517	712,626	783,227	741,891
Advances to sub-contractors	2.4	150,616	269,929	150,616	269,929
Other receivables	2.5				
Relating to exchange transactions		1,629,871	1,720,863	2,291,516	2,190,048
Relating to non-exchange transactions		-	-	13,720	24,818
Total current assets		51,056,067	52,359,950	60,493,134	62,035,084
Non-current assets					
Property, plant and equipment	2.6	1,032,177	514,481	1,221,751	767,284
Intangible assets	2.7	229,892	136,488	254,088	144,493
Total non-current assets		1,262,069	650,969	1,475,839	911,777
TOTAL ASSETS		52,318,136	53,010,919	61,968,973	62,946,861
LIABILITIES					
Current liabilities					
Payables and accruals	2.8				
Relating to exchange transactions		(2,032,316)	(2,255,252)	(2,452,063)	(2,543,172)
Relating to non-exchange transactions		(3,664,403)	(5,380,500)	(6,917,131)	(8,715,596)
Provisions and warranties	2.9				
Relating to exchange transactions		(69,765)	(72,225)	(69,765)	(72,225)
Employee benefits	2.10	(217,683)	(65,706)	(229,039)	(276,301)
Finance lease liabilities	2.11	(49,834)	(45,418)	(49,834)	(45,418)
Total current liabilities		(6,034,001)	(7,819,101)	(9,717,832)	(11,652,712)
Non-current liabilities					
Employee benefits	2.10	(33,210,414)	(29,821,928)	(33,615,703)	(30,179,892)
Finance lease liabilities	2.11	(88,829)	-	(88,829)	-
Total non-current liabilities		(33,299,243)	(29,821,928)	(33,704,532)	(30,179,892)
TOTAL LIABILITIES		(39,333,244)	(37,641,029)	(43,422,364)	(41,832,604)
NET ASSETS		12,984,892	15,369,890	18,546,609	21,114,257

	Note	IMO		Consolidated	
		2013	2012	2013	2012
Fund balances and reserves	2.12	13,516,389	16,083,270	19,351,710	20,933,965
Surplus for the year		(531,497)	(713,380)	(805,101)	180,292
TOTAL FUND BALANCES AND RESERVES	2.12	12,984,892	15,369,890	18,546,609	21,114,257

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



Signed on original
JO Espinoza Ferrey
Director, Administrative Division

London 28 March 2014

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 December 2013
(GBP)

	Note	IMO		Consolidated	
		2013	2012	2013	2012
REVENUE					
Assessed contributions	3.1	30,170,000	29,007,200	30,170,000	29,007,200
Donor contributions	3.2	4,652,982	7,976,219	7,975,700	11,528,096
Commercial activities	3.3	11,851,452	11,479,452	13,438,650	12,441,918
Fellowships	3.4	-	-	3,442,155	3,023,256
Other revenue	3.5	400,803	349,031	681,763	523,694
TOTAL REVENUE		47,075,237	48,811,902	55,708,268	56,524,164
EXPENDITURE					
Staff and other personnel costs	4.1	(31,132,173)	(31,237,250)	(36,478,215)	(35,607,361)
Travel	4.2	(2,049,288)	(2,482,861)	(2,533,380)	(2,800,542)
Supplies, consumables and other running costs	4.3	(6,201,629)	(6,169,496)	(7,122,438)	(6,836,149)
Costs related to trading activities	4.4	(1,836,130)	(1,665,491)	(1,903,225)	(1,727,590)
Outsourced services	4.5	(1,077,535)	(995,878)	(1,299,429)	(1,184,201)
Training and development	4.6	(3,175,548)	(3,407,917)	(4,696,331)	(4,705,007)
Currency exchange gains/(losses)	4.7	(598,453)	(1,059,290)	(829,735)	(962,504)
Depreciation and amortization	4.8	(625,761)	(1,367,483)	(772,489)	(1,493,243)
Return of unspent funds	4.9	-	(137,202)	-	(137,202)
Other expenses	4.10	(910,217)	(1,002,414)	(878,127)	(890,073)
TOTAL EXPENDITURE		(47,606,734)	(49,525,282)	(56,513,369)	(56,343,872)
SURPLUS FOR THE YEAR		(531,497)	(713,380)	(805,101)	180,292

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 2013
(GBP)

	Note	Accumulated Surpluses/ Fund Balances		Accumulated Surpluses/ Fund Balances	
		IMO		Consolidated	
		2013	2012	2013	2012
Opening balance 1 January		15,369,890	16,083,270	21,114,257	21,025,369
Surplus for the year		(531,497)	(713,380)	(805,101)	180,292
Other movements on reserves					
Actuarial losses for the year	2.10	(1,853,501)	-	(1,853,501)	-
Exchange rate effect	10	-	-	90,954	(91,404)
Total movement for the year		(2,384,998)	(713,380)	(2,567,648)	88,888
TOTAL NET ASSETS		12,984,892	15,369,890	18,546,609	21,114,257

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

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT IV
STATEMENT OF CASH FLOW
for the year ended 31 December 2013
(GBP)

	Note	IMO		Consolidated	
		2013	2012	2013	2012
Cash flow from operating activities:					
(Deficit)/surplus for the period ¹		(60,002)	(86,179)	(150,520)	687,425
Interest earned	3.5	184,328	278,831	233,429	329,057
(Increase)/decrease in contributions receivable	2.2	709,806	(354,023)	709,689	(353,879)
Decrease/(increase) in inventories	2.3	(43,891)	55,237	(41,336)	50,424
Decrease in advances to sub-contractors	2.4	119,313	141,937	119,313	141,937
Decrease/(increase) in other receivables	2.5	90,992	21,446	(90,370)	110,439
Depreciation of property, plant and equipment ²	2.6	350,224	444,920	492,384	572,113
(Gain) on disposal of Property, Plant and Equipment	2.6	(6,556)	(17,478)	(5,742)	(29,668)
Donation of assets	2.6	66,572	511,570	66,572	511,570
Amortization of intangible assets ²	2.7	124,344	407,009	132,240	410,247
Loss on disposal of intangible assets	2.7	-	673	-	673
(Decrease)/increase in payables and accruals	2.8	(1,939,033)	(1,938,954)	(1,889,574)	(1,322,373)
(Decrease) in provisions and warranties	2.9	(2,460)	(16,225)	(2,460)	(16,225)
Increase in employee benefit liabilities	2.10	3,540,463	1,559,412	3,388,549	1,638,286
Net cash flows from operating activities		3,134,100	1,008,176	2,962,174	2,730,026
Cash flows from investing activities:					
Purchases of property, plant and equipment ²	2.6	(938,882)	(473,071)	(1,018,627)	(713,975)
Purchases of intangible assets ²	2.7	(217,748)	(77,851)	(241,835)	(84,010)
Proceeds from sale of property, plant and equipment		10,946	17,478	10,946	29,668
Net cash flows from investing activities		(1,145,684)	(533,444)	(1,249,516)	(768,317)
Cash flows from financing activities:					
Increase/(decrease) in finance lease liabilities	2.11	93,245	(64,343)	93,245	(64,343)
Net cash flows from financing activities		93,245	(64,343)	93,245	(64,343)
Other movements in net assets		(1,853,501)	-	(1,853,501)	-
Gain/(loss) on exchange on consolidation		-	-	90,954	(91,404)
Effect of exchange rate changes on cash and cash equivalents		(655,823)	(906,032)	(888,010)	(836,190)
Net (decrease)/increase in cash and cash equivalents	2.1	(427,663)	(495,643)	(844,654)	969,772
Cash and cash equivalents at beginning of the year		47,765,976	48,261,619	56,910,453	55,940,681
Cash and cash equivalents at end of the year	2.1	47,338,313	47,765,976	56,065,799	56,910,453

The accompanying notes form an integral part of these financial statements

¹ Excluding interest earned of £184,328 (2012:£278,831) for IMO and £233,429 (2012:£329,057) for the consolidated group and losses on exchange of cash and cash equivalents held of £655,823 (2012: £906,032) for IMO and £888,010 (2012:£836,190) for the consolidated group.

² Depreciation of property, plant and equipment, amortization of intangible assets, purchases of property, plant and equipment and purchases of intangible assets include the effect of the exchange rate adjustment for exchange rate movements in the year. Notes 2.6 and 2.7 show additions and foreign exchange adjustments separately rather than in aggregate.

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT Va
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – IMO
for the year ended 31 December 2013
(GBP)

	Budget Amounts ²				Actual Amounts on Comparable Basis ²		Variances: Final Budget and Actual Amounts	
	Original 2013	Original 2012	Final 2013	Final 2012	2013	2012	2013	2012
Receipts¹								
Assessed contributions	30,170,000	29,007,200	30,170,000	29,007,200	30,361,645	28,881,192	191,645	(126,008)
Support costs income	1,376,000	1,373,000	1,376,000	1,373,000	1,342,894	1,405,010	(33,106)	32,010
Trading income	10,527,000	10,001,500	10,527,000	10,001,500	11,875,566	11,545,426	1,348,566	1,543,926
Regular budget other income	140,000	140,000	140,000	140,000	257,212	160,784	117,212	20,784
Total receipts	42,213,000	40,521,700	42,213,000	40,521,700	43,837,317	41,992,412	1,624,317	1,470,712
Payments ¹								
Regular budget strategic results	31,686,000	30,520,200	31,697,800	30,570,200	29,012,528	29,036,358	2,685,272	1,533,842
Trading	6,195,000	6,168,000	6,197,500	6,170,800	5,667,883	5,343,372	529,617	827,428
Headquarters capital	1,194,000	1,118,000	1,431,600	1,118,000	1,013,380	704,849	418,220	413,151
Termination/separation	980,000	796,000	980,000	796,000	962,150	784,339	17,850	11,661
Training and development	142,600	138,400	142,600	138,400	95,241	115,583	47,359	22,817
Technical cooperation	4,645,000	5,294,000	4,961,500	6,027,183	4,654,863	5,008,923	306,637	1,018,260
Total payments	44,842,600	44,034,600	45,411,000	44,820,583	41,406,045	40,993,424	4,004,955	3,827,159
Net	(2,629,600)	(3,512,900)	(3,198,000)	(4,298,883)	2,431,272	998,988	5,629,272	5,297,871

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

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

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

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT Vb
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – Consolidated
for the year ended 31 December 2013
(GBP)

	Budget Amounts ²				Actual Amounts on Comparable Basis ²		Variances: Final Budget and Actual Amounts	
	Original	Original	Final	Final	2013	2012	2013	2012
	2013	2012	2013	2012				
Receipts¹								
Assessed contributions	30,170,000	29,007,200	30,170,000	29,007,200	30,361,645	28,881,192	191,645	(126,008)
Support costs income	1,376,000	1,373,000	1,376,000	1,373,000	1,342,894	1,405,010	(33,106)	32,010
Trading fund income	10,527,000	10,001,500	10,527,000	10,001,500	11,875,566	11,545,426	1,348,566	1,543,926
Regular budget other income	140,000	140,000	140,000	140,000	257,212	160,784	117,212	20,784
Education and research	8,309,808	7,337,827	8,777,813	8,568,234	9,114,092	8,576,923	336,279	8,689
Total receipts	50,522,808	47,859,527	50,990,813	49,089,934	52,951,409	50,569,335	1,960,596	1,479,401
Payments ¹								
Regular budget strategic results	31,686,000	30,520,200	31,697,800	30,570,200	29,012,528	29,036,358	2,685,272	1,533,842
Trading	6,195,000	6,168,000	6,197,500	6,170,800	5,667,883	5,343,372	529,617	827,428
Headquarters capital	1,194,000	1,118,000	1,431,600	1,118,000	1,013,380	704,849	418,220	413,151
Termination/separation	980,000	796,000	980,000	796,000	962,150	784,339	17,850	11,661
Training and development	142,600	138,400	142,600	138,400	95,241	115,583	47,359	22,817
Technical cooperation	4,645,000	5,294,000	4,961,500	6,027,183	4,654,863	5,008,923	306,637	1,018,260
Education and research	8,250,858	7,393,282	8,621,848	8,380,166	8,644,343	7,556,137	(22,495)	814,029
Total payments	53,093,458	51,427,882	54,032,848	53,200,749	50,050,388	48,559,561	3,982,460	4,641,188
Net	(2,570,650)	(3,568,355)	(3,042,035)	(4,110,815)	2,901,021	2,009,774	5,943,056	6,120,589

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

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

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

NOTE 1: ACCOUNTING POLICIES

Basis of Preparation

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

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

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

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

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

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

Cash and Cash Equivalents

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

Contributions and Receivables

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

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

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

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

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

Revenue

11 Only the Organization's commercial sales operations, conducted through the Trading Fund, are considered to be exchange transactions within the meaning of IPSAS 9 - 'Revenue from Exchange Transactions'. All other revenue is on a non-exchange basis and is accounted for in accordance with IPSAS 23.

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

Inventories

13 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.

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

15 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.

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

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

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

Property, Plant and Equipment

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

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

20 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.

21 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.

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

Intangible Assets

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

24 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.

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

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

Leases

Finance Leases

26 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.

27 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.

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

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

Operating Leases

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

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

Employee Benefits Liabilities

32 IMO recognizes the following categories of employee benefits:

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

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

34 The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and

costs to individual organizations participating in the plan. IMO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify IMO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, IMO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. IMO's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

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

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

Provisions and Contingent Liabilities

37 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.

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

39 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

40 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.

41 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.

42 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.

43 Under Technical Cooperation and Extra-budgetary Activities, the Organization provides Member States with technical cooperation and extra-budgetary planning and implementation services. Such activities are primarily funded through the surplus of the Organization's commercial activities and through contributions from donors. In this context, the Organization's Technical Cooperation Fund and all donor trust Funds are grouped under this segment.

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

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

Budget Comparison

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

NOTE 2: ASSETS AND LIABILITIES

Note 2.1: Cash and Cash Equivalents

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP		GBP	
Cash and Cash Equivalents				
Bank and cash on hand	8,084,073	12,319,252	15,286,264	20,015,028
Short-term deposits	39,252,399	35,444,408	40,764,784	36,891,701
Other cash and cash equivalents	1,841	2,316	14,751	3,724
Total Cash and Cash Equivalents	47,338,313	47,765,976	56,065,799	56,910,453

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

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

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

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

51 The table below shows the value of IMO's short-term deposit placements at 31 December 2013 split by maturity date:

	IMO	
	GBP	USD
Maturity		
January	10,420,829	11,273,595
February	8,199,502	5,005,809
March	9,425,045	2,244,572
Total short term deposits	28,045,376	18,523,976

52 There was no impairment of short-term deposits as at 31 December 2013.

53 The consolidated figure for other cash and cash equivalents includes two investments in Malta Government stocks totalling £12,326, being stocks with a nominal value of €1,500 at 4.5% maturing in 2017 and paying interest in May and November; and stocks with a nominal value of €12,000 at 5.25% maturing in 2030 and paying interest in June and December. The annual implied interest rate for these investments is 3.88% and 4.8% respectively, and both investments are held as being available for sale.

Note 2.2: Contributions Receivable

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP		GBP	
Composition:				
Member States	122,663	364,967	122,663	364,967
Donor contributions	1,058,087	1,525,589	1,065,593	1,532,978
Total Contributions Receivable	1,180,750	1,890,556	1,188,256	1,897,945

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

	IMO	Consolidated
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	2013	2012	2013	2012
	GBP		GBP	
Member States' assessments due	853,257	1,045,095	853,257	1,045,095
Total Contributions Receivable before allowance	853,257	1,045,095	853,257	1,045,095
Fair value adjustments	(375,530)	(325,064)	(375,530)	(325,064)
Allowance for doubtful accounts	(355,064)	(355,064)	(355,064)	(355,064)
Net Contributions Receivable	122,663	364,967	122,663	364,967

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

	IMO				Consolidated			
	2013		2012		2013		2012	
	GBP	%	GBP	%	GBP	%	GBP	%
Year of assessment:								
2013	151,113	18	-	-	151,113	18	-	-
2012	61,314	7	384,578	37	61,314	7	384,578	37
2011	20,231	2	30,524	3	20,231	2	30,524	3
2010 and earlier	620,599	73	629,993	60	620,599	73	629,993	60
Nominal value of assessments receivable	853,257	100	1,045,095	100	853,257	100	1,045,095	100

56 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.

57 The movements of the allowance for fair value adjustment and doubtful accounts during 2013 are as follows:

	Opening Balance 01.01.2013	Utilization	Increase/ (Decrease)	Closing Balance 31.12.2013
	GBP			
Fair value adjustment for Member States' arrears - IMO	325,064	(19,228)	69,694	375,530
Fair value adjustment for Member States' arrears - Consolidated	325,064	(19,228)	69,694	375,530
Total allowance for doubtful accounts - IMO	355,064	-	-	355,064
Total allowance for doubtful accounts - Consolidated	355,064	-	-	355,064

58 As at 31 December 2013 there were a total of 25 Member States with outstanding balances. Of these, 20 had current year and prior year balances only. The remaining five had arrears prior to 2011. No Member State had an agreed payment plan in place for outstanding arrears as at 31 December 2013. For the Member States in arrears and without such an agreement, an approximation is made based on historical experience – for those

Member States which had arrears extending only to the current year and prior year, no fair value adjustment is made. For the remaining Member States with arrears for 2011 and earlier it was assumed that the eventual cash flows will be sufficiently far in the future that the present value of those cash flows after discounting is approximately zero.

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

60 Contributions receivable from donors include: amounts due but not yet received under signed donor agreements, other than those amounts for future periods dependent on the successful completion of earlier phases of work; and joint agency activities whereby IMO acts as administrator for payment activities.

61 Contributions receivable from donors are shown net of contributions adjustments related to allowance for doubtful accounts based on an individual review of each receivable. Amounts due beyond 2014 are discounted based on likely timings of such future cash flows. A review of amounts due as at 31 December 2013 indicated that no such adjustments were required on outstanding balances.

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

Note 2.3: Inventories

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP		GBP	
IMO publications	745,670	699,758	745,670	699,758
Model courses	10,847	12,868	10,847	12,868
Public relations articles	-	-	26,710	29,265
Total Inventories	756,517	712,626	783,227	741,891

Inventories reconciliation	2013	2012
	GBP	GBP
Opening inventories	712,626	767,863
Purchases	1,184,597	1,033,879
Total inventories available for sale	1,897,223	1,801,742
Cost of sales	(1,015,068)	(1,042,080)
Cost of free distributions	(33,295)	(23,156)
Adjustments following physical inventory count	(1,167)	(3,092)
Write-off of publications	(49,031)	(9,801)
Impairment loss of publications	(42,145)	(10,987)
Total inventories	756,517	712,626

	Opening Balance 01.01.13	Utilization	Increase	Closing Balance 31.12.13
	GBP			
Allowance for impairment - obsolete books	10,987	(10,978)	42,145	42,154
Total allowance	10,987	(10,978)	42,145	42,154

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

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

65 The Organization does not hold any specific item of inventory for the purpose of distributing free of charge. While a small number of copies of various publications are distributed 'free of charge' from time to time under specific conditions, these free copies constitute an insignificant percentage (approximately 0.5%) of the total books distributed. Consequently the valuation of inventory as a whole may reasonably be made on the basis of the lower of cost or (commercial) net realizable value.

66 Inventories include consignment stock held at distributor premises for which the Organization continues to bear the risk and reward until the point of sale by the distributor. The value of the consignment stock as at 31 December 2013 held at distributor premises amounts to £100,165 (2012:£62,725) of which £99,928 (2012:£62,239) is for IMO Publications and £237 (2012:£486) for Model Courses.

67 As at 31 December 2013, WMU held inventory of public relations articles valued at £26,710 (2012:£29,265).

Note 2.4: Advances to Sub-Contractors

68 Advances to sub-contractors are payments made under contract with regional bodies and similar organizations which, acting as implementing agents, deliver technical cooperation programmes on the Organization's behalf. These advances are then offset against approved expenditure reports as the contract is delivered. In addition, advances made to UNDP to deliver regional services on the Organization's behalf, through the Service

Clearing Account arrangement, are also considered to be advances to sub-contractors. The significant outstanding advances at the end of the period were to:

	IMO	
	2013	2012
	GBP	
COCATRAM	41,161	27,528
DIRECTEMAR-SECROGRAM	27,907	-
SACEP	23,875	-
UNDP SCA	16,959	94,715
REMPEITC-CARIB	15,739	69,951
PEMSEA	10,546	62,519
Other	14,429	15,216
	150,616	269,929

Note 2.5: Other Receivables

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP		GBP	
Relating to exchange transactions				
Advances to vendors	21,339	36,951	306,724	329,608
Advances to staff	794,148	750,600	794,500	769,668
Taxes recoverable	327,952	691,418	369,946	715,970
Fellowships	-	-	83,342	15,394
Miscellaneous	486,432	241,894	737,004	359,408
	1,629,871	1,720,863	2,291,516	2,190,048
Relating to non-exchange transactions				
Fellowships	-	-	-	246
Taxes recoverable	-	-	8,656	19,676
Other	-	-	5,064	4,896
	-	-	13,720	24,818
Total Other Receivables	1,629,871	1,720,863	2,305,236	2,214,866

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

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

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP		GBP	
Advances to staff				
Education Grant advance	593,631	526,950	593,631	527,665
Season ticket loan	41,600	68,142	41,600	68,142
Home leave prepayment	73,580	76,945	73,779	78,310
Others	85,337	78,563	85,490	95,551
Total	794,148	750,600	794,500	769,668

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

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

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

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

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

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

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

	Assets Under Construction	Communication & IT equipment	Conference equipment	Vehicles	Furniture & fixtures	Leased equipment	Miscellaneous	Total
Cost	GBP							
Opening Balance 01.01.2013	46,464	2,184,570	706,089	122,220	538,522	282,969	43,523	3,924,357
Adjustments	-	1,388	-	-	-	-	-	1,388
Additions	70,166	626,140	4,500	46,011	30,004	156,924	4,095	937,840
Disposals	-	(402,863)	-	(21,760)	(4,211)	(212,969)	-	(641,803)
Donation of Assets	(66,572)	-	-	-	-	-	-	(66,572)
Closing Balance 31.12.2013	50,058	2,409,235	710,589	146,471	564,315	226,924	47,618	4,155,210
Accumulated Depreciation								
Opening Balance 01.01.2013	-	(1,861,931)	(654,696)	(94,110)	(496,538)	(265,764)	(36,837)	(3,409,876)
Adjustments	-	(346)	-	-	-	-	-	(346)
Disposals	-	402,766	-	17,467	4,211	212,969	-	637,413
Depreciation charge for the year	-	(258,333)	(8,840)	(23,141)	(19,667)	(37,334)	(2,909)	(350,224)
Closing Balance 31.12.2013	-	(1,717,844)	(663,536)	(99,784)	(511,994)	(90,129)	(39,746)	(3,123,033)
Net Book Value								
Opening Balance 01.1.2013	46,464	322,639	51,393	28,110	41,984	17,205	6,686	514,481
Closing Balance 31.12.2013	50,058	691,391	47,053	46,687	52,321	136,795	7,872	1,032,177

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

78 Assets are reviewed annually to determine if there is any impairment in their value. During 2013, 358 items of property, plant and equipment were disposed of, primarily due to obsolescence, with 356 of the disposed items being fully depreciated and two having a net book value on disposal of £4,390. No assets held at the end of the year were deemed to be impaired.

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

80 The balance at year-end also reflects assets under construction in the field, most notably communication equipment for the Seychelles Maritime Safety Agency (SMSA) as part of the activities funded by the Djibouti Code of Conduct Trust Fund. These assets will be used in the achievement of the Organization's objectives and therefore benefit the Organization, and remain under the Organization's control at year-end. They will be handed over to the relevant third party on completion of the projects.

Asset Category – Consolidated

	Assets Under Construction	Communication & IT equipment	Conference equipment	Vehicles	Furniture & fixtures	Leased equipment	Miscellaneous	Total
Cost	GBP							
Opening Balance 01.01.2013	46,464	2,567,457	706,089	214,880	637,735	282,969	115,855	4,571,449
Adjustments	-	1,388	-	-	-	-	-	1,388
Additions	70,166	677,971	4,500	47,715	36,287	156,924	14,824	1,008,387
Disposals	-	(413,077)	-	(21,760)	(5,200)	(212,969)	-	(653,006)
Donation of Assets	(66,572)	-	-	-	-	-	-	(66,572)
Movements as a result of exchange differences	-	5,328	-	1,437	1,477	-	956	9,198
Closing Balance 31.12.2013	50,058	2,839,067	710,589	242,272	670,299	226,924	131,635	4,870,844
Accumulated Depreciation								
Opening Balance 01.01.2013	-	(2,060,814)	(654,696)	(159,745)	(588,648)	(265,765)	(74,497)	(3,804,165)
Adjustments	-	(346)	-	-	-	-	-	(346)
Disposals	-	412,166	-	17,467	5,200	212,969	-	647,802
Depreciation charge for the year	-	(361,683)	(8,840)	(37,104)	(24,591)	(37,334)	(18,848)	(488,400)
Impairment charge for the year	-	-	-	-	-	-	-	-
Movements as a result of exchange differences	-	(1,487)	-	(793)	(1,389)	-	(315)	(3,984)
Closing Balance 31.12.2013	-	(2,012,164)	(663,536)	(180,175)	(609,428)	(90,130)	(93,660)	(3,649,093)
Net Book Value								
Opening Balance 01.01.2013	46,464	506,643	51,393	55,135	49,087	17,204	41,358	767,284
Closing Balance 31.12.2013	50,058	826,903	47,053	62,097	60,871	136,794	37,975	1,221,751

81 The total value reported under “Miscellaneous” as at 31 December 2013 includes the reference library of £17,424 (2012:£18,533) held by IMLI, with additional reference texts being capitalized and depreciated over a period of three years.

82 This note includes the effect of the revaluation of the property, plant and equipment held by WMU and IMLI with a net impact of £5,212 (2012: £1,289) resulting from the change in value of the Euro from 1 January to 31 December 2013. Opening balances are presented at the exchange rate applicable on 1 January 2013 and closing balances at the rate applicable on 31 December 2013, 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.

83 The City of Malmö provides leasing free of rent and maintenance for the WMU teaching and administration building. In kind contributions of services are not recognized in WMU’s financial statements. The buildings used by IMLI are not included as the Institute has the bare use of the premises. The University of Malta and the Government of Malta have made the building available for use by the Institute for 15 years under the terms of an agreement dated 26 May 1988. The Government of Malta has since extended the period for a further 25 years and it reimburses the repair and maintenance costs up to approximately £7,641 (2012:£7,317).

Note 2.7: Intangible Assets

	Asset category - IMO		
	Assets Under Construction	Externally purchased software	Total
Cost	GBP		
Opening Balance 01.01.2013	-	1,794,465	1,794,465
Additions	80,645	137,103	217,748
Closing Balance 31.12.2013	80,645	1,931,568	2,012,213
Accumulated Amortization			
Opening Balance 01.01.2013	-	(1,657,977)	(1,657,977)
Amortization charge for the year	-	(124,344)	(124,344)
Closing Balance 31.12.2013	-	(1,782,321)	(1,782,321)
Net Book Value			
Opening Balance 01.01.2013	-	136,488	136,488
Closing Balance 31.12.2013	80,645	149,247	229,892

84 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.

85 The costs recognised as assets under construction relate to development work on the implementation of additional SAP functionalities, Sharepoint and the development of the Organization’s Globallast and IMO Kid’s websites. To the extent that the development work for these projects is undertaken by external resource, the identification and assignment of

such costs can be readily identified from payment schedules and project milestones, with the completed asset under construction being transferred to Externally Purchased Software at the point of go-live.

	Asset category - Consolidated		
	Assets Under Construction	Externally purchased software	Total Group
	GBP		
Cost			
Opening Balance 01.01.2013	-	1,821,000	1,821,000
Additions	80,645	161,196	241,841
Movements as a result of exchange rate difference	-	(6)	(6)
Closing Balance 31.12.2013	80,645	1,982,190	2,062,835
Accumulated Amortization			
Opening Balance 01.01.2013	-	(1,676,507)	(1,676,507)
Amortization charge for the year	-	(132,083)	(132,083)
Movements as a result of exchange rate difference	-	(157)	(157)
Closing Balance 31.12.2013	-	(1,808,747)	(1,808,747)
Net Book Value			
Opening Balance 01.01.2013	-	144,493	144,493
Closing Balance 31.12.2013	80,645	173,443	254,088

86 This note includes the effect of the revaluation of the Intangible Assets held by WMU with a net impact of £163 (2012:£68) resulting from the change in value of the Euro from 1 January to 31 December 2013. Opening balances are presented at the exchange rate applicable on 1 January 2013 and closing balances at the rate applicable on 31 December 2013, while depreciation charges and additions for the year are shown at the average rate of exchange, consistent with Statement I and Statement II, respectively.

87 Neither IMO nor the consolidated group have made any disposals of externally purchased software during 2013.

Note 2.8: Payables and Accruals

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP		GBP	
Relating to exchange transactions				
Payable to vendors	420,302	929,463	539,585	1,028,634
Payable to staff	20,034	30,130	20,034	30,130
Accruals	1,591,980	1,295,659	1,674,445	1,357,296
Fellowships	-	-	217,404	126,526
Other	-	-	595	586
	2,032,316	2,255,252	2,452,063	2,543,172
Relating to non-exchange transactions				
Fellowships	-	-	2,273,910	2,557,982
Contributions Incentive Scheme	1,518,099	1,488,781	1,518,099	1,488,781
Advance contributions	1,636,249	2,163,426	2,198,586	2,622,893
Condition on donor contributions	175,530	1,264,324	175,530	1,264,324
Payable to donors	103,886	106,290	301,267	363,654
Others	230,639	357,679	449,739	417,962
	3,664,403	5,380,500	6,917,131	8,715,596
Total Payables and Accruals	5,696,719	7,635,752	9,369,194	11,258,768

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

89 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.

90 Under the Contributions Incentive Scheme a part of the interest earned on the General Fund is returned to Member States, the allocation being based on a points system reflecting the timing and amount of the receipt of their current year assessments. At the 28th session of the Assembly in November 2013, a timetable was agreed for distributing the accumulated balance in accordance with the instructions of individual Member States.

91 Advance contributions reflect balances received from Member States during 2013 towards the 2014 assessed contributions.

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

93 The Organization recognizes as a liability conditions attached to certain voluntary contributions. Conditions may be imposed by donors on the use of contributions, and include both a performance obligation to use the donation in a specified manner, and an enforceable return obligation to return the donation if it is not used in the specified manner. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As IMO satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced

and an amount of revenue equal to that reduction is recognized. The value of the most significant condition balances is shown below.

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP		GBP	
Condition on donor contributions				
World Bank MEH Project	-	1,112,424	-	1,112,424
European Commission - GHG Study	66,759	64,727	66,759	64,727
NORAD	61,730	63,158	61,730	63,158
European Commission - Malacca and Singapore Straits Fund	23,446	24,015	23,446	24,015
ROPME-MEMAC	23,595	-	23,595	-
Total	175,530	1,264,324	175,530	1,264,324

94 The MEH project was completed at the end of 2012, and all outstanding balances were settled in the course of 2013.

95 Fellowships and donations received and accrued for the academic year 2013/2014 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 2014 are disclosed as advance receipts.

Note 2.9: Provisions and Warranties

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP		GBP	
Publication sales warranties	69,765	72,225	69,765	72,225
Total provisions and warranties	69,765	72,225	69,765	72,225

	Opening Balance 01.01.13	Utilization	Increase	Closing Balance 31.12.13
	GBP			
IMO				
Publications	71,350	(60,244)	57,894	69,000
Model Courses	875	(234)	124	765
Total allowance	72,225	(60,478)	58,018	69,765

96 The Organization's sales of publications are primarily made through a network of distributors rather than directly to end users. The Organization has an established practice that, on publication of a new version of any title, distributors may return unsold copies of the previous version with the credit being set against purchases of the new title. A warranty provision has been established to reflect possible future returns of sales made during the year, the level of provision being based on the level of sales in the year and past experience of return levels.

Note 2.10: Employee Benefits

IMO	2013			2012
	Actuarial Valuation	IMO Estimates	Total	Total
	GBP			GBP
Short-term employee benefits	-	84,152	84,152	65,706
Post-employment benefits	31,698,634	-	31,698,634	28,416,817
Other long-term employee benefits	1,394,357	-	1,394,357	1,405,111
Termination benefits	-	250,954	250,954	-
Total Employee Benefits Liabilities	33,092,991	335,106	33,428,097	29,887,634

	2013					2012
	Short Term Employee Benefits	Post-Employment Benefits	Other Long-Term Employee Benefits	Termination Benefits	Total	Total
	GBP					GBP
Composition:						
Current	84,152	-	-	133,531	217,683	65,706
Non-current	-	31,698,634	1,394,357	117,423	33,210,414	29,821,928
Total Employee Benefits Liabilities	84,152	31,698,634	1,394,357	250,954	33,428,097	29,887,634

Consolidated	2013			2012
	Actuarial Valuation	Group Estimates	Total	Total
	GBP			GBP
Short-term employee benefits	-	95,508	95,508	276,301
Post-employment benefits	31,698,634	200,018	31,898,652	28,632,164
Other long-term employee benefits	1,394,357	205,271	1,599,628	1,547,728
Termination benefits	-	250,954	250,954	-
Total Employee Benefits Liabilities	33,092,991	751,751	33,844,742	30,456,193

	2013 Consolidated					2012
	Short Term Employee Benefits	Post-Employment Benefits	Other Long-Term Employee Benefits	Termination Benefits	Total	Total
	GBP					GBP
Composition:						
Current	95,508	-	-	133,531	229,039	276,301
Non-current	-	31,898,652	1,599,628	117,423	33,615,703	30,179,892
Total Employee Benefits Liabilities	95,508	31,898,652	1,599,628	250,954	33,844,742	30,456,193

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

2.10.1: Valuation of Employee Benefits Liabilities

98 Employee benefits liabilities are determined by professional actuaries or calculated by IMO based on personnel data and past payment experience. At 31 December 2013, total employee benefits liabilities amounted to £33,428,097 (2012: £29,887,634), of which £33,092,991 (2012: £29,821,928) was calculated by the actuaries and £335,106 (2012: £65,706) was calculated by IMO. With effect from 2012 and in line with Assembly resolution A.991(25) long-term employee benefit liabilities previously allocated among all Funds on the basis of headcount have been allocated to the Organization's Termination Benefit Fund, with the exception of sums allocated to the Trading Fund on the basis of headcount. For the latter, the defined benefit liabilities relating to staff members under this Fund will also be transferred to the Termination Benefit Fund during 2014 as established in Assembly resolution A.1063(28). Actuarial valuations are undertaken every two years, the most recent being completed as at 31 December 2013.

2.10.2: Short-Term Employee Benefits

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

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

2.10.3: Post-Employment Benefits

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

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

103 ASHI is a plan that allows eligible retirees and their eligible family members to participate in the Van Breda Medical Scheme for 50% of the cost of the contribution of active staff members for the defined type of coverage. The Organization subsidizes the remaining amount of the premium to be paid to the third party insurer. Membership of Van Breda is compulsory for all new employees, although participation in the ASHI scheme after retirement is voluntary. Van Breda is the main third party insurance provider for ASHI benefits; however, there are still a small number of retirees covered by the former insurer, BUPA.

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

105 The liabilities include the current service costs and the interest costs for 2013, less benefit payments made and, where applicable, plan participants' contributions.

2.10.4: Other Long-Term Employee Benefits

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

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

2.10.5: Termination Employee Benefits

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

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

110 As a result of that decision, there is a formal plan in place for the separation of four staff members, three to be undertaken by June 2014 and the other by January 2015, with termination indemnity payments to be made in accordance with IMO's established Staff Regulations and Staff Rules. While no payments have been made up to 31 December 2013, a termination benefit liability estimated at £250,954 exists at year end in accordance with IPSAS 25. The estimate used is based on the valuations presented to COP 18 by IMO and UNEP in a jointly submitted document⁵ with appropriate discounting applied for those amounts due beyond one year.

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

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

⁵ UNEP(DEPI)/MED IG.21/Inf.18

2.10.6.1: Actuarial Assumptions and Methods

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

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

114 The following assumptions have been used to estimate the value of the post-employment and accrued unused annual leave employee liabilities for IMO as at 31 December 2013 based on the expenditure projections for the reporting period.

GENERAL-TBU							
Baseline Discount Rate	4.90% p.a. as of 31 December 2013 4.70% p.a. as of 31 December 2012						
General Inflation	3.60% p.a. as of 31 December 2013 3.50% p.a. as of 31 December 2012						
Accounting Expected Return on Assets	Not applicable, no assets held						
Mortality	Pre-retirement: Age related scale, indicative rates for age 55 - 0.26% for males and 0.11% for females Post-retirement: Age related scale, indicative rates at 31 December 2007 for age 65 => 0.61% male retirees and spouses and 0.46% female retirees and spouses Post-retirement mortality improvement: Assumed to apply over a 20 year period from 2007. For males the rates of improvement are 2% per annum for those under 70, reducing to nil for those over 95. For females the rates of improvement are 2% per annum for those under 60 reducing to nil for those over 90						
Withdrawal Rates	Vary according to age, gender and length of service, with different rates applying to professional and general service staff.						
Retirement Rates	Vary according to age, gender and length of service, with different rates applying to professional and general service staff and staff joining before and after 1 January 1990						
	The tables for mortality, withdrawal rate and retirement rates above are based on those used for the valuation of the UN Joint Staff Pension Fund (UNJSPF) as at 31 December 2011						
Assumptions used to value the ASHI Scheme							
Participation after retirement	95% of eligible members are assumed to continue coverage after retirement. It is assumed that coverage will not be dropped once elected.						
Spouses	For current employees it is assumed that 60% will elect for coverage for their spouses at retirement. Males are assumed to be three years older than their spouse						
Healthcare trend increases	31 December 2013: Declining from 8% p.a. in 2012 to 4.5% per annum from 2027 onwards 31 December 2012: Declining from 6% p.a. in 2010 to 4.5% per annum from 2027 onwards						
Ageing increases	3.5% p.a. for those under 65, 2.5% p.a. for those between 65 and 70 reducing in five year age bands to nil for those over age 90						
Assumptions used to value Repatriation Benefits							
Participation	All eligible employees will receive the benefit on separation from service						
Aged related salary scale	<table style="width: 100%; border: none;"> <tr> <td style="width: 33%;"></td> <td style="width: 33%; text-align: center;">31 December 2013</td> <td style="width: 33%; text-align: center;">31 December 2012</td> </tr> <tr> <td></td> <td>Reducing from 10.2% at age 20 to 5.1% at age 60 for professional staff and 8.0% at 20 to 5.1% at age 65 for general services staff</td> <td>Reducing from 10.1% at age 20 to 5.0% at age 60 for professional staff and 7.9% at 20 to 5.0% at age 65 for general services staff</td> </tr> </table>		31 December 2013	31 December 2012		Reducing from 10.2% at age 20 to 5.1% at age 60 for professional staff and 8.0% at 20 to 5.1% at age 65 for general services staff	Reducing from 10.1% at age 20 to 5.0% at age 60 for professional staff and 7.9% at 20 to 5.0% at age 65 for general services staff
	31 December 2013	31 December 2012					
	Reducing from 10.2% at age 20 to 5.1% at age 60 for professional staff and 8.0% at 20 to 5.1% at age 65 for general services staff	Reducing from 10.1% at age 20 to 5.0% at age 60 for professional staff and 7.9% at 20 to 5.0% at age 65 for general services staff					
Repatriation travel costs	Assumed to be £6,000 and to increase in line with general inflation assumption						
Assumptions used to value Annual Leave Plan							
Participation	All eligible employees will receive the benefit on separation from service						
Salary increases	As for repatriation benefit						
Increases in annual leave balance	Based on completed service – 15% for 1 year, 6.5%p.a. for 2-6 years and 0.1% p.a. thereafter.						

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

2.10.6.2: Reconciliation of Defined Benefit Obligation

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
GBP				
Defined Benefit Obligation as at 01.01.2013	25,687,867	2,728,950	1,405,111	29,821,928
Service cost for 2013	772,466	153,465	135,827	1,061,758
Interest cost for 2013	1,195,274	124,172	58,144	1,377,590
Actuarial Loss/(gain)	1,726,125	(2,592)	129,968	1,853,501
Actual gross benefit payments for 2013	(513,016)	(174,077)	(334,693)	(1,021,786)
Defined Benefit Obligation as at 31.12.2013	28,868,716	2,829,918	1,394,357	33,092,991

2.10.6.3: Annual Expense for Calendar Year 2013

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
GBP				
Service cost	772,466	153,465	135,827	1,061,758
Interest cost	1,195,274	124,172	58,144	1,377,590
Actuarial Loss/(gain)	1,726,125	(2,592)	129,968	1,853,501
Total Expense recognized in 2013	3,693,865	275,045	323,939	4,292,849

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

2.10.6.4: Summary of Prior Year Amounts

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

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
Actuarial Losses/(Gains) as at 01.01.2013	5,425,822	(716,114)	27,406	4,737,114
Actuarial Losses/(Gains) in 2013	1,726,125	(2,592)	129,968	1,853,501
Actuarial Losses/(Gains) as at 31.12.2013	7,151,947	(718,706)	157,374	6,590,615

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

119 The primary contributory factor in the net actuarial loss was the increase in the assumption made for the healthcare cost trend from 6% per annum in 2010 (falling to 4.5% per annum from 2027 onwards) to 8% per annum for 2012 (falling to 4.5% per annum from 2027 onwards) offset to some extent by the increase in the assumption made on the discount rate from 4.7% per annum to 4.9% per annum.

IMO	31.12.2013	31.12.2012	31.12.2011	31.12.2010
ASHI	GBP			
Present Value of Defined Benefit Obligation	28,868,716	25,687,867	24,254,786	17,675,179
Experience losses on Scheme Liabilities	(1,079,154)	-	264,822	-
Loss on changes in assumptions used to value Scheme liabilities	2,805,279	-	5,161,000	-

IMO	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Repatriation	GBP			
Present Value of Defined Benefit Obligation	2,829,918	2,728,950	2,591,269	3,196,114
Experience loss/(gain) on Scheme Liabilities	18,337	-	(864,114)	-
(Gain)/loss on changes in assumptions used to value Scheme liabilities	(20,929)	-	148,000	-

IMO	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Annual Leave	GBP			
Present Value of Defined Benefit Obligation	1,394,357	1,405,111	1,372,806	1,337,594
Experience loss/(gain) on Scheme Liabilities	134,775	-	(27,594)	-
(Gain)/loss on changes in assumptions used to value Scheme liabilities	(4,807)	-	55,000	-

IMO	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Total	GBP			
Present Value of Defined Benefit Obligation	33,092,991	29,821,928	1,372,806	1,337,594
Experience (gains) on Scheme Liabilities	(926,042)	-	(27,594)	-
Loss on changes in assumptions used to value Scheme liabilities	2,779,543	-	55,000	-

2.10.6.5: Sensitivity Analysis

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

121 The obligations were valued based on a discount rate of 4.9% as of 31 December 2013. The table below shows the effect of a one point percentage change in the discount rate as of 31 December 2013.

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

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

	1% increase 2013	1% decrease 2013
Effect on the aggregate of the service cost and interest cost	670,000	(490,000)
Effect on defined benefit obligation	7,200,000	(5,400,000)

2.10.6.6: Expected Costs during 2014

123 The expected contribution of IMO in 2014 to the defined benefits plans is £1,041,000 (2013 estimate: £955,500). This has been derived from the 2013 paid figures with the ASHI payments unchanged for 2014 and the repatriation and annual leave payments increasing in line with inflation.

2.10.7: United Nations Joint Staff Pension Fund

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

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

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

in recent years. The next actuarial valuation will be conducted based on the position at 31 December 2013.

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

128 After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2011, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

129 In July 2012, the Pension Board noted in its Report of the fifty-ninth session to the General Assembly that an increase in the normal age of retirement for new participants of the Fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87%. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age will be reflected in the next actuarial valuation of the Fund referred to in paragraph 126.

130 During 2013, total contributions paid to UNJSPF amounted to £5,228,582 (2012: £5,303,933). The Organization's contributions on behalf of staff members amounted to £3,485,602 (2012: £3,535,956). Expected contributions due in 2014 are £3,611,000.

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

Note 2.11: Leases

2.11.1: Finance Leases

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

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP		GBP	
Current	49,834	45,418	49,834	45,418
Non-current	88,829	-	88,829	-
Total Finance Lease Liabilities	138,663	45,418	138,663	45,418

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

	IMO			Consolidated		
	Minimum payments due	Finance charges	Present value of minimum payments	Minimum payments due	Finance charges	Present value of minimum payments
	GBP			GBP		
Less than one year	58,186	8,352	49,834	58,186	8,352	49,834
One to three years	94,276	5,447	88,829	94,276	5,447	88,829
Total Finance Lease liabilities	152,462	13,799	138,663	152,462	13,799	138,663

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

2.11.2: Operating Leases

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

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP		GBP	
Future minimum lease payments due under operating leases:				
Not later than one year	1,195,751	1,195,751	1,195,751	1,195,751
Later than one year and not later than five years	5,978,757	5,978,757	5,978,757	5,978,757
Later than five years	15,544,768	16,740,519	15,544,768	16,740,519
Total future minimum lease payments - operating leases	22,719,276	23,915,027	22,719,276	23,915,027

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

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

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

139 The significant lease arrangements are highlighted below:

- **Alterations:** The Organization is not entitled to make alterations or additions affecting the structure or the main services of the premises without written approval of the Landlord, the United Kingdom (UK) government;
- **Under-letting:** When under-letting the building, the Organization must first offer to underlet to the landlord;

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

Note 2.12: Fund Balances and Reserves

Organization Only	Opening Balance 01.01.2013	Operating Surplus for the Period	Other Movements in Reserves	Closing Balance 31.12.2013
	GBP			
General Fund	7,839,396	2,716,571	-	10,555,967
Working Capital Fund	1,715,785	(208,313)	-	1,507,472
Trading Fund	8,181,140	64,110	(105,100)	8,140,150
Termination Benefit Fund	(25,205,322)	(1,250,498)	(1,748,401)	(28,204,221)
HQ Capital Fund	2,752,482	227,360	-	2,979,842
Training and Development Fund	242,175	1,819	-	243,994
Technical Cooperation Fund	4,796,766	245,693	-	5,042,459
Bilateral Operations and Multi-Donor Trust Funds:				
Djibouti Code of Conduct Trust Fund	6,039,812	(1,769,817)	-	4,269,995
NORAD Trust Fund	741,100	532,929	-	1,274,029
International Maritime Security Trust (IMST) Fund	1,035,795	(136,475)	-	899,320
GESAMP Trust Fund	1,019,240	(184,181)	-	835,059
Model Courses Development Trust Fund	733,599	46,996	-	780,595
Associate Professional Officers	558,762	204,100	-	762,862
Republic of Korea Trust Fund	969,883	(459,356)	-	510,527
Other Bilateral Operations and Multi-Donor Trust Funds ⁶	3,949,277	(562,435)	-	3,386,842
Total	15,369,890	(531,497)	(1,853,501)	12,984,892

⁶ Governments of Australia, Canada, China, Denmark, Egypt, Finland, France, Germany, India, Italy/Spain, Israel, Japan, Malaysia, Norway, Netherlands, Oman, Saudi Arabia, Sweden, UK, USA, UNEP, UNDP, European Commission, Union of Greek Shipowners, Implementation of the revised STCW Convention and Code, Tsunami Relief Fund, Marine Pollution Response Fund, Seminars and Workshops Trust Fund, IMO-GloBallast Global Industry Alliance (GIA) Fund, IMO/REMPEC Trust Fund, IMO Malacca and Singapore Straits Trust Fund, International Transport Workers Federation, GBS Trust Fund, West and Central Africa Trust Fund, UNOPS, International Search and Rescue Trust Fund, Model Audit Scheme (VIMSAS) Trust Fund, Research and Development Trust Fund, Indian Ocean Commission, International Ship Recycling Trust Fund, IAPH Fund, Seafarers Memorial Trust Fund, Study on Greenhouse Gas Emissions, London Convention and Protocol (LC/LP) Trust Fund.

Consolidated	Opening Balance	Operating Surplus for the Period	Other Movements in Reserves	Closing Balance
	01.01.2013			31.12.2013
	GBP			
IMO ⁷	15,369,890	(531,828)	(1,853,501)	12,984,561
WMU	3,737,384	(263,532)	59,172	3,533,024
IMLI	2,006,983	(9,741)	31,782	2,029,024
Total	21,114,257	(805,101)	(1,762,547)	18,546,609

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

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

142 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.

143 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.

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

145 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

⁷ The surplus and reserves figures for IMO as a component of the Consolidated figures differs from that for the Organization only due to the elimination of timing differences in the recognition of sale of publications from IMO to WMU.

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.

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

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

148 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

149 The Organization's ten largest contributors to assessed contributions in 2013 are shown below. Assessed contributions are based on a flat base rate with additional components based on ability to pay and merchant fleet tonnage. WMU and IMLI do not receive assessed contributions.

		Amount GBP	% of total assessment
1	Panama	5,519,785	18.29
2	Liberia	3,212,409	10.65
3	Marshall Islands	2,031,796	6.73
4	Singapore	1,460,995	4.84
5	United Kingdom	1,426,952	4.73
6	Bahamas	1,345,313	4.46
7	China	1,103,219	3.66
8	Malta	1,091,162	3.62
9	Greece	1,079,047	3.58
10	Japan	1,010,345	3.35
	Total	19,281,023	63.91

Note 3.2: Donor Contributions

150 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.

151 The Organization's ten largest contributors to donor revenue in 2013 are shown below:

IMO		Amount	% of total
		GBP	donor revenue
1	Government of Denmark	715,122	15.4
2	Government of Norway ⁸	669,572	14.4
3	United Nations Environment Programme (UNEP)	618,521	13.3
4	Government of Republic of Korea	574,493	12.4
5	Government of Germany	338,433	7.3
6	Government of United States of America	288,581	6.2
7	Government of China	252,790	5.4
8	Government of United Kingdom	202,749	4.4
9	Government of Canada	142,193	3.1
10	United Nations Development Programme (UNDP)	98,700	2.1
Total		3,901,154	84.0

152 The consolidated group's ten largest contributors to donor revenue in 2013 are shown below:

Consolidated		Amount	% of total
		GBP	donor revenue
1	Government of Sweden	2,515,889	31.5
2	Government of Denmark	715,122	9.0
3	Government of Norway	669,572	8.4
4	United Nations Environment Programme (UNEP)	618,521	7.8
5	Government of Republic of Korea	574,493	7.2
6	Nippon Foundation	468,683	5.9
7	Government of Germany	338,433	4.2
8	Government of the United States of America	288,581	3.6
9	Government of China	252,790	3.2
10	Government of Canada	239,929	3.0
Total		6,682,013	83.8

Note 3.3: Commercial Activities

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

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP	GBP	GBP	GBP
Publication Sales	11,075,902	10,933,183	11,074,302	10,932,464
Cafeteria Sales	755,365	534,225	797,321	578,946
Sub-letting and letting of conference facilities & other	20,185	12,044	1,567,027	930,508

⁸ Including £580,092 from the Norwegian Agency for Development Cooperation (NORAD).

Total	11,851,452	11,479,452	13,438,650	12,441,918
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154 The major components of IMO Publication Sales are shown below:

	IMO	
	2013	2012
	GBP	GBP
Sale of physical publications	10,286,488	10,207,162
Electronic publications	284,732	221,807
Royalties	201,747	199,808
Subscriptions	167,088	126,482
Model Courses	106,315	133,882
Other publications	29,532	44,042
Total	11,075,902	10,933,183

Note 3.4: Fellowships

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

	Consolidated	
	2013	2012
	GBP	GBP
1 Ship and Ocean Foundation	747,977	822,060
2 Nippon Foundation	292,902	277,775
3 Government of China	202,597	64,690
4 International Transport Federation	139,404	150,405
5 Indonesian Port Corporation	137,506	87,804
Total	1,520,386	1,402,734

Note 3.5: Other Revenue

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

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP	GBP	GBP	GBP
Interest earned on investment of funds	184,328	278,831	233,429	329,057
Rental income from sub-letting	33,758	32,062	34,854	32,062
Other revenue	182,717	38,138	413,480	162,575
Total	400,803	349,031	681,763	523,694

NOTE 4: EXPENDITURE

	IMO		Consolidated	
	2013	2012	2013	2012
	GBP	GBP	GBP	GBP
4.1 Staff and other personnel costs				
Professional and General Service staff, experts	25,954,428	26,399,635	30,865,916	30,290,472
Recruitment and repatriation	2,092,798	2,354,757	2,154,404	2,458,872
Termination Benefit	322,087	-	322,087	-
Consultants	968,682	939,105	1,298,190	1,255,059
Temporary assistance	953,918	752,548	997,358	811,753
Meetings personnel (Interpreters, translators, temporary employees)	840,260	791,205	840,260	791,205
Total staff and other personnel costs	31,132,173	31,237,250	36,478,215	35,607,361
4.2 Travel				
Fares	1,170,713	1,364,293	1,440,945	1,550,992
Daily Subsistence Allowance (DSA) and other expenses	878,575	1,118,568	1,092,435	1,249,550
Total travel	2,049,288	2,482,861	2,533,380	2,800,542
4.3 Supplies, consumables and other running costs				
Office supplies and consumables	104,238	118,134	146,712	151,230
Telecommunications and information technology	977,585	1,139,296	1,045,848	1,182,450
Rent, rates and insurance	1,402,824	1,406,038	1,474,646	1,465,414
Utilities	537,321	493,916	596,294	532,046
Medical costs	22,247	3,720	22,247	3,720
Library books, magazines, subscriptions	37,555	30,992	180,957	192,988
Hospitality	18,962	39,023	182,136	138,641
Vehicle, local transport and hotel accommodation	43,440	53,553	57,262	67,976
Postage, telephone and freight	411,440	468,111	516,731	553,499
Equipment, furniture and local procurement	1,923,573	1,675,300	1,976,464	1,677,197
Building maintenance	722,444	741,413	742,364	763,063
Other operational costs	-	-	180,777	107,925
Total supplies, consumables and other running costs	6,201,629	6,169,496	7,122,438	6,836,149
4.4 Costs related to trading activities				
Cost of Sales IMO Publications	997,272	1,018,322	997,272	1,018,322
Cost of Sales Model courses	17,796	23,759	17,796	23,759
Loss/(Gain) on Physical Inventory	1,167	3,092	1,167	3,092
Publications issued free of charge	33,295	23,155	33,295	23,155
Provision for return of obsolete publications	58,018	55,897	58,018	55,897
Printing (contract - out)	190,666	139,878	190,666	139,878
Electronic publishing (IMO/Vega)	96,927	70,563	96,927	70,563
Catering food and supplies	440,989	330,825	504,177	389,343
Public relations articles held by WMU	-	-	3,907	3,581
Total costs related to trading activities	1,836,130	1,665,491	1,903,225	1,727,590
	IMO		Consolidated	

	2013	2012	2013	2012
	GBP	GBP	GBP	GBP
4.5 Outsourced services				
Security services	396,713	392,026	414,084	418,857
Cleaning services	381,151	351,891	528,744	471,212
Telecommunications/IT related services	-	-	72,182	44,093
Leases	24,547	19,925	24,547	19,925
Sub-contract delivery of Technical Cooperation activities	275,124	232,036	259,872	230,114
Total outsourced services	1,077,535	995,878	1,299,429	1,184,201
4.6 Training and development				
Staff training	63,798	83,117	72,832	96,867
Fellowships	682,430	833,563	2,158,907	2,063,841
Group training including participant travel	2,429,320	2,491,237	2,381,410	2,438,271
Student costs (WMU and IMLI)	-	-	83,182	106,028
Total training and development	3,175,548	3,407,917	4,696,331	4,705,007
4.7 Currency exchange losses	598,453	1,059,290	829,735	962,504
4.8 Depreciation and amortization				
Depreciation of property, plant and equipment	350,224	444,920	488,400	579,374
Donation of completed Assets Under Construction	66,572	511,570	66,572	511,570
(Gains) on disposal of property, plant and equipment	(6,556)	(17,478)	(5,742)	(29,668)
Amortization of intangible assets	124,345	407,009	132,083	410,505
Loss on disposal of intangible assets	-	673	-	673
Impairment of IMO publications	91,176	20,789	91,176	20,789
Total depreciation and amortization	625,761	1,367,483	772,489	1,493,243
4.9 Return of unspent funds	-	137,202	-	137,202
4.10 Other expenses				
Jointly financed UN bodies	93,654	83,672	93,655	83,672
Grants	248,082	246,632	-	-
IMO News and publicity	19,898	981	51,843	32,318
Bank charges/investment manager and custodian fees	144,986	185,243	162,356	205,012
External audit	38,348	58,672	111,453	94,826
Other miscellaneous expenses	365,249	427,214	458,820	474,245
Total other expenses	910,217	1,002,414	878,127	890,073
Total expenses	47,606,734	49,525,282	56,513,369	56,343,872

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

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

160 Supplies, consumables and other running costs primarily include the cost of running the headquarters and field office buildings, including rent paid under the building lease with the Government of the United Kingdom of £1,195,751 (2012:£1,195,751).

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

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

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

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

NOTE 5: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

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

166 The Organization's budget and accounts are prepared on different bases. The Statement of Financial Performance 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.

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

168 Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For IMO, the budget is prepared on the commitment basis and the financial statements are prepared on the accrual basis.

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

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

171 The final budgets were increased in total by £939,390 comprising regular budget of £11,800, trading of £2,500, capital investments of £237,600; technical cooperation of £316,500 and education and research of £370,990. The main reason for the increase was the budget brought forward in accordance with the IMO's Financial Regulation 4.3 to discharge commitments incurred in the previous period, which was the cases under the

Organization's Funds such as the regular budget, trading, capital investment, and technical cooperation financed from the TCF. The final budget increase under the heading of education and research was mainly due to additional income generated from several activities as well as additional student intake during the last quarter of 2013 at the WMU, which required the revision of the original budgets following increased expenditure.

172 Of those budget increases of £939,390, a total of at least £568,400 (61%) was utilized mainly in the Organization's regular programmes of which 44% utilization under the headings of regular budget, Headquarters capital and trading, and 56% in technical cooperation.

173 Presentation differences are due to differences in the format and classification schemes adopted for presentation of Statement of Cash Flow and Statement of Comparison of Budget and Actual Amounts. The budgets for extra-ordinary activities funded by the various donor/trust Funds are not included in Statement V, the amounts related to those revenue and expenses are classified as presentation differences. The comparison is also made for not only the budgets approved by the IMO Assembly but also for those approved by the respective governing bodies of WMU and IMLI.

174 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 2013 is presented below.

175 Budget amounts have been presented on a functional classification basis in accordance with the approved budget for the 2013 which present a breakdown of the budget for purposes of the above comparison. The amount of surplus per Statement Va (IMO 2013) of £2,431,272 has been reconciled to the net decrease in cash and cash equivalents in Statement IV (IMO 2013) of (£427,663). Details on the reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement Va) and the actual amounts in the Statement of Cash Flow (Statement IV) for the year ended 31 December 2013 is presented in the table below.

Adjustments Pertaining to the Cash Flows from:				
	Operating Activities	Financing Activities	Investing Activities	Total
	GBP IMO			
Actual Amounts on Comparable Basis (Statement Va)	A	2,431,272	-	2,431,272
Basis differences	a	1,975,586	(855,862)	1,119,724
Presentation differences	b	(3,978,659)	-	(3,978,659)
Entity difference	c	-	-	-
Total Differences	B=a+b+c	(2,003,073)	-	(855,862)
Actual Amounts in the Statement of Cash Flow (Statement IV)	C=A+B	428,199	(855,862)	(427,663)

176 The following table shows the amount of surplus per Statement Vb (Consolidated IMO 2013) of £2,901,021, which includes WMU and IMLI surpluses at the end of December 2012. Using WMU and IMLI reconciliation statements submitted, the table below shows the net increase in cash and cash equivalents in Statement IV (Consolidated 2013) of (£844,654).

Adjustments Pertaining to the Cash Flows from:

	Operating Activities	Financing Activities	Investing Activities	Total
GBP CONSOLIDATED				
Actual Amounts on Comparable Basis (Statement Vb)	A	2,874,030	26,991	2,901,021
Basis differences	a	1,523,691	-	(891,510)
Presentation differences	b	(4,377,856)	-	(4,377,856)
Entity difference	c	-	-	-
Total Differences	B=a+b+c	(2,854,165)	-	(891,510)
Actual Amounts in the Statement of Cash Flow (Statement IV)	C=A+B	(19,865)	-	(864,519)

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

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Elimination	Grand Total
	GBP				
ASSETS					
Current assets					
Cash and cash equivalents	19,892,871	9,643,972	17,801,470	-	47,338,313
Contributions receivable	122,663	-	1,058,087	-	1,180,750
Inventories	-	756,517	-	-	756,517
Advances to sub-contractors	6,050	-	144,566	-	150,616
Inter-segment sums receivable	738,664	10,476	592,309	(1,341,449)	-
Other receivables					
Relating to exchange transactions	1,315,728	215,906	98,237	-	1,629,871
Relating to non-exchange transactions	-	-	-	-	-
Total current assets	22,075,976	10,626,871	19,694,669	(1,341,449)	51,056,067
Non-current assets					
Property, plant and equipment	899,194	7,127	125,856	-	1,032,177
Intangible assets	216,525	-	13,367	-	229,892
Total non-current assets	1,115,719	7,127	139,223	-	1,262,069
TOTAL ASSETS	23,191,695	10,633,998	19,833,892	(1,341,449)	52,318,136
LIABILITIES					
Current liabilities					
Payables and accruals					
Relating to exchange transactions	(1,260,232)	(234,320)	(537,764)	-	(2,032,316)
Relating to non-exchange transactions	(3,154,349)	-	(510,054)	-	(3,664,403)
Provisions and warranties	-	(69,765)	-	-	(69,765)
Inter-segment sums payable	(279,051)	(291,533)	(770,865)	1,341,449	-
Employee benefits	(77,715)	(3,870)	(136,098)	-	(217,683)
Finance lease liabilities	(49,834)	-	-	-	(49,834)
Total current liabilities	(4,821,181)	(599,488)	(1,954,781)	1,341,449	(6,034,001)
Non-current liabilities					
Employee benefits	(31,198,631)	(1,894,360)	(117,423)	-	(33,210,414)
Finance lease liabilities	(88,829)	-	-	-	(88,829)
Total non-current liabilities	(31,287,460)	(1,894,360)	(117,423)	-	(33,299,243)
TOTAL LIABILITIES	(36,108,641)	(2,493,848)	(2,072,204)	1,341,449	(39,333,244)
NET ASSETS	(12,916,946)	8,140,150	17,761,688	-	12,984,892
Fund balances and reserves	(14,403,885)	8,076,040	19,844,234	-	13,516,389
Surplus for the year	1,486,939	64,110	(2,082,546)	-	(531,497)
TOTAL FUND BALANCES AND RESERVES	(12,916,946)	8,140,150	17,761,688	-	12,984,892

Note 6.1.2: Statement of Financial Position by Segment – Consolidated

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Education and Research	Elimination	Grand Total
GBP						
ASSETS						
Current assets						
Cash and cash equivalents	19,892,871	9,643,972	17,801,470	8,727,486	-	56,065,799
Contributions receivable	122,663	-	1,058,087	7,506	-	1,188,256
Inventories	-	756,517	-	26,710	-	783,227
Advances to sub-contractors	6,050	-	144,566	-	-	150,616
Inter-segment sums receivable	738,664	10,476	592,309	-	(1,341,449)	-
Other receivables						
Relating to exchange transactions	1,315,728	215,906	98,237	664,896	(3,251)	2,291,516
Relating to non-exchange transactions	-	-	-	13,720	-	13,720
Total current assets	22,075,976	10,626,871	19,694,669	9,440,318	(1,344,700)	60,493,134
Non-current assets						
Property, plant and equipment	899,194	7,127	125,856	189,574	-	1,221,751
Intangible assets	216,525	-	13,367	24,196	-	254,088
Total non-current assets	1,115,719	7,127	139,223	213,770	-	1,475,839
TOTAL ASSETS	23,191,695	10,633,998	19,833,892	9,654,088	(1,344,700)	61,968,973
LIABILITIES						
Current liabilities						
Payables and accruals						
Relating to exchange transactions	(1,260,232)	(234,320)	(537,764)	(423,080)	3,333	(2,452,063)
Relating to non-exchange transactions	(3,154,349)	-	(510,054)	(3,368,456)	115,728	(6,917,131)
Provisions and warranties	-	(69,765)	-	-	-	(69,765)
Inter-segment sums payable	(279,051)	(291,533)	(770,865)	-	1,341,449	-
Employee benefits	(77,715)	(3,870)	(136,098)	(11,356)	-	(229,039)
Finance lease liabilities	(49,834)	-	-	-	-	(49,834)
Total current liabilities	(4,821,181)	(599,488)	(1,954,781)	(3,802,892)	1,460,510	(9,717,832)
Non-current liabilities						
Employee benefits	(31,198,631)	(1,894,360)	(117,423)	(405,289)	-	(33,615,703)
Finance lease liabilities	(88,829)	-	-	-	-	(88,829)
Total non-current liabilities	(31,287,460)	(1,894,360)	(117,423)	(405,289)	-	(33,704,532)
TOTAL LIABILITIES	(36,108,641)	(2,493,848)	(2,072,204)	(4,208,181)	1,460,510	(43,422,364)
NET ASSETS	(12,916,946)	8,140,150	17,761,688	5,445,907	115,810	18,546,609
Fund balances and reserves	(14,403,885)	8,076,040	19,844,234	5,774,540	60,781	19,351,710
Surplus for the year	1,486,939	64,110	(2,082,546)	(328,633)	55,029	(805,101)
TOTAL FUND BALANCES AND RESERVES	(12,916,946)	8,140,150	17,761,688	5,445,907	115,810	18,546,609

Note 6.2: Segmental Statements of Financial Performance

Note 6.2.1: Statement of Financial Performance by Segment – IMO

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Elimination	Grand Total
	GBP				
Revenue					
Assessed contributions	30,170,000	-	-	-	30,170,000
Donor contributions	-	-	4,724,068	(71,086)	4,652,982
Commercial activities	20,185	11,831,051	216	-	11,851,452
Other revenue	257,212	44,515	89,351	9,725	400,803
Support costs earned	1,342,894	-	(457)	(1,342,437)	-
Inter-segment transfers	1,575,458	(5,942,821)	5,167,363	(800,000)	-
TOTAL REVENUE	33,365,749	5,932,745	9,980,541	(2,203,798)	47,075,237
Expenditure					
Staff and other personnel costs	(25,566,515)	(2,149,448)	(3,427,275)	11,065	(31,132,173)
Travel	(295,762)	(82,794)	(1,670,732)	-	(2,049,288)
Supplies, consumables and other running costs	(3,733,327)	(700,431)	(1,767,871)	-	(6,201,629)
Costs related to trading activities	-	(1,896,151)	-	60,021	(1,836,130)
Outsourced services	(693,828)	(108,584)	(275,123)	-	(1,077,535)
Training and development	(62,898)	(900)	(3,111,750)	-	(3,175,548)
Currency exchange losses	(162,376)	(36,391)	(399,686)	-	(598,453)
Support costs charged	-	(652,057)	(680,655)	1,332,712	-
Depreciation and amortization	(420,462)	(99,344)	(105,955)	-	(625,761)
Return of unspent funds	-	-	-	-	-
Other expenses	(143,642)	(142,535)	(624,040)	-	(910,217)
Inter-segment transfers	(800,000)	-	-	800,000	-
TOTAL EXPENDITURE	(31,878,810)	(5,868,635)	(12,063,087)	2,203,798	(47,606,734)
SURPLUS/(DEFICIT) FOR THE YEAR	1,486,939	64,110	(2,082,546)	-	(531,497)

Note 6.2.2: Statement of Financial Performance by Segment – Consolidated

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Education and Research	Elimination	Grand Total
GBP						
Revenue						
Assessed contributions	30,170,000	-	-	-	-	30,170,000
Donor contributions	-	-	4,724,068	3,568,577	(316,945)	7,975,700
Commercial activities	20,185	11,831,051	216	1,658,046	(70,848)	13,438,650
Fellowships	-	-	-	3,838,146	(395,991)	3,442,155
Other revenue	257,212	44,515	89,351	287,051	3,634	681,763
Support costs earned	1,342,894	-	(457)	-	(1,342,437)	-
Inter-segment transfers	1,575,458	(5,942,821)	5,167,363	-	(800,000)	-
TOTAL REVENUE	33,365,749	5,932,745	9,980,541	9,351,820	(2,922,587)	55,708,268
Expenditure						
Staff and other personnel costs	(25,566,515)	(2,149,448)	(3,427,275)	(5,351,772)	16,795	(36,478,215)
Travel	(295,762)	(82,794)	(1,670,732)	(490,320)	6,228	(2,533,380)
Supplies, consumables and other running costs	(3,733,327)	(700,431)	(1,767,871)	(923,101)	2,292	(7,122,438)
Costs related to trading activities	-	(1,896,151)	-	(67,095)	60,021	(1,903,225)
Outsourced services	(693,828)	(108,584)	(275,123)	(237,146)	15,252	(1,299,429)
Training and development	(62,898)	(900)	(3,111,750)	(2,022,915)	502,132	(4,696,331)
Currency exchange losses	(162,376)	(36,391)	(399,686)	(225,290)	(5,992)	(829,735)
Support costs charged	-	(652,057)	(680,655)	-	1,332,712	-
Depreciation and amortization	(420,462)	(99,344)	(105,955)	(146,728)	-	(772,489)
Return of unspent funds	-	-	-	-	-	-
Other expenses	(143,642)	(142,535)	(624,040)	(216,086)	248,176	(878,127)
Inter-segment transfers	(800,000)	-	-	-	800,000	-
TOTAL EXPENDITURE	(31,878,810)	(5,868,635)	(12,063,087)	(9,680,453)	2,977,616	(56,513,369)
SURPLUS/(DEFICIT) FOR THE YEAR	1,486,939	64,110	(2,082,546)	(328,633)	55,029	(805,101)

177 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 £5,922,962, of which £5,209,726 was to the Technical Cooperation Fund, comprising £4,961,644 for the TC Fund itself and a further £248,082 for onward transfer to WMU, and £713,236 was to the Core Programme. A further £19,859 was transferred from Trading and Business Activities to Core Programme Management to reflect a change in the apportionment of employee benefit liabilities which are allocated on the basis of headcount. In addition, there are support costs totalling £680,655 charged on extra-budgetary activities and £652,057 charged to the Trading and Business Activities to reimburse costs incurred by the Core Programme. In the consolidated notes, revenue totalling £526,822 (2012:£565,362) and expenditure totalling £570,175 (2012:£549,919) between IMO and WMU, and revenue totalling £191,967 (2012:£241,743) and expenditure totalling £203,643 (2012:£166,071) between IMO and IMLI, have been included in the segment reporting figures and eliminated in arriving at the consolidated position with a net effect of £55,029 (2012:£91,112). Further information on the nature of these transactions is provided in note 9.2.

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

NOTE 7: COMMITMENTS AND CONTINGENCIES

Note 7.1: Commitments

179 As at 31 December 2013, IMO had commitments for goods and services including consultancy contracted but not delivered as follows:

	IMO	
	2013	2012
	GBP	GBP
Purchase of services including consultancy	1,533,094	1,144,670

180 The actual discharge of the 2012 commitments in 2013 is shown below:

	2012 Commitments	2013 discharge
Regular budget strategic results	96,078	11,729
Trading activities	292	-
Headquarters Capital Fund	240,376	227,208
Technical cooperation	807,924	375,858
Total	1,144,670	614,795

181 Neither WMU nor IMLI has commitments or contingencies at the year end, and consequently the figures shown above also reflect the consolidated position.

Note 7.2: Legal or Contingent Liabilities

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

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

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

184 Financial Regulation 12.3 provides that "The Secretary-General may make such ex-gratia payments as he deems to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted to the Assembly with the financial statements." During 2013, no ex-gratia payments were made relating to staff termination, medical related bills or service incurred losses suffered by staff.

185 Financial Regulation 12.4 provides that "The Secretary-General may, after full investigation, authorize the writing off of losses of cash, stores and other assets, provided

that a statement of all such amounts written off shall be submitted to the External Auditor with the financial statements.” During 2013, cash losses, irrecoverable receivables and advances to staff and suppliers resulted in write-offs to the total amount of £592 (2012:£2,295) for IMO and for the consolidated group £9,549 (2012:£3,875). In addition, write-offs as a result of the loss or obsolescence of inventory totalled £91,176 (2012:£20,788) for IMO and £91,809 for the consolidated group (2012:£21,474).

186 There were no cases of fraud or presumptive fraud in 2013.

NOTE 9: RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

Note 9.1: Key Management Personnel

IMO		GBP				
Number of individuals (Full Time Equivalent)	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration 2013	Outstanding Advances against entitlements 31.12.2013	Outstanding Loans 31.12.2013
6.9 ⁹	998,205	33,441	204,448	1,236,094	Nil	Nil

Consolidated		GBP				
Number of individuals	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration 2013	Outstanding Advances against entitlements 31.12.2013	Outstanding Loans 31.12.2013
8.9	1,398,155	33,441	254,296	1,685,892	Nil	Nil

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

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

189 Key management personnel are also qualified for post-employment benefits (Note 2.10) at the same level as other employees. Key management personnel of IMO are participants of UNJSPF, with the exception of the Secretary-General who receives an annual contribution of £28,400 (2012: £27,400) for alternative pension arrangements.

⁹ The number of full time equivalent key management personnel includes one Divisional Director who retired in August 2013, his replacement joining the Organization in October 2013.

Note 9.2: Related Parties

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

191 During 2013, IMO provided £493,486 (2012:£475,229) and £203,549 (2012:£161,147) in fellowship and other funding to WMU and IMLI, respectively, under its Technical Cooperation Programme. In addition, commercial activities amounting to £70,710 have taken place between IMO and WMU, which were mainly consultancy and related services by WMU to IMO for £68,073, with the balance representing the sale of publications and catering services from IMO to WMU. These amounts are reflected in expenditure and revenue respectively in the IMO figures and have been eliminated from group expenditure and revenue on consolidation. Current liabilities of WMU towards IMO totalling £46,935 (2012:£3,801) and IMLI towards IMO of £11,676 (2012:£75,668), in respect of deferred fellowship revenue, have also been eliminated.

NOTE 10: OTHER CHANGES IN NET ASSETS

192 In addition to the actuarial losses of £1,853,501 reported in Note 2.10, exchange rate differences arise due to the effect of converting the opening net assets of WMU and IMLI, whose functional currency is the Euro, at the 2013 closing rate which differs from the 2012 closing rate, and such changes are presented as a separate component of net assets/equity in accordance with IPSAS 4.

	GBP		
	WMU	IMLI	Total
Opening balance at 31.12.2013 exchange rate	3,796,556	2,038,765	5,835,321
Opening balance at 01.01.2013 exchange rate	3,737,384	2,006,983	5,744,367
	59,172	31,782	90,954

NOTE 11: EVENTS AFTER REPORTING DATE

193 IMO's reporting date is 31 December 2013. On the date of signing of these accounts, there had been no material events, favourable or unfavourable, incurred between the balance sheet date and the date when the financial statements were authorized for issue, that would have impacted these statements.

ANNEX 1
(unaudited)

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

ANNEX 2

**OPINION OF THE EXTERNAL AUDITOR ON THE ORGANIZATION'S FINANCIAL
STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013**





REPUBLIC OF GHANA

THE AUDITOR-GENERAL

My Ref. No: **AG/IMO/35**

Your Ref. No:

Ministry Block O, P. O. Box M 96, Accra, Ghana
Tel: 233 (0) 302 664928 / 675496 Fax: 233 (0) 302 662493
Website: www.ghaudit.org

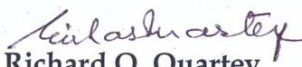
..... **2 May** 20**14**

**The Chairman
112th Session of the Council
International Maritime Organization
4 Albert Embankment
LONDON SE1 7SR**

Dear Chairman,

In accordance with Article XII of the Organization's Financial Regulations, I have the honour to submit to the Council for onward transmission to the Assembly, the Financial Statements of the International Maritime Organization for the year ended 31 December 2013, together with my Report and Opinion thereon.

Yours sincerely,


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

INDEPENDENT AUDITOR'S REPORT

To:
The Chairman,
112th Session of Council,
International Maritime Organization

Report on the Financial Statements

We have audited the financial statements of the International Maritime Organization (IMO) for the financial year ended 31 December 2013. The financial statements are made up of: a statement of financial position as at 31 December 2013; a statement of financial performance; a statement of changes in net assets; a statement of cash flow; a statement of comparison of budget and actual amounts for the year ended 31 December 2013; and notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

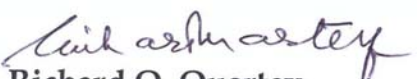
Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the International Maritime Organization as at 31 December 2013, and its financial performance and cash flows for the period then ended in accordance with IPSAS.

Report on Other Legal and Regulatory Requirements

Further, in our opinion, the transactions of the International Maritime 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 IMO Financial Regulations and Financial Rules.

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


Richard Q. Quartey
Auditor-General of Ghana
External Auditor

Accra, Ghana
2 May 2014
