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Agenda item 5(b)

C 106/5(b)
11 April 2011
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RESOURCE MANAGEMENT

(b) Accounts and audit: accounts for the financial period 2010 and transfers within the 2010 budget

Note by the Secretary-General

SUMMARY

Executive summary:	This document presents the Organization's financial statements for the financial period ended 31 December 2010
Strategic direction:	4
High-level action:	4.0.1
Planned output:	4.0.1.1
Action to be taken:	Paragraph 4
Related documents:	C 106/4, C 106/5(b)/1 and C 104/D

Introduction

1 The financial statements for the Organization's financial period ended 31 December 2010 are attached at annex. The financial statements have been agreed by the External Auditor and, in accordance with the Organization's financial regulation 12.10, the External Auditor will transmit to the Council, through its Chairman, his report thereon (see document C 106/5(b)/1).

2 The presentation of the financial statements is in accordance with International Public Sector Accounting Standards (IPSAS) as set out in financial regulation 11.1.

Action requested of the Council

3 The Council is invited to:

.1 note the information contained in the annexed financial statements for the financial period ended 31 December 2010;

.2 examine, in accordance with financial regulation 12.10, the said financial statements and the audit reports and forward them to the Assembly with such comments as it may deem advisable;

.3 note that transfers within the 2010 budget are addressed in document C 106/5(e) – Budget considerations for 2011; and

.4 note that, as this is the first time IPSAS-compliant financial statements are prepared, the provisions of Circular letter No.3085, paragraph 4.4.2 (which states that "documents, which contain more than 20 pages, should not be translated in their entirety") have not been adhered to this year but will be in future years, unless the Council decides otherwise.

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ANNEX

INTERNATIONAL MARITIME ORGANIZATION

FINANCIAL STATEMENTS

YEAR ENDED 31.12.2010

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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 2010.

2 The Report of the External Auditor on the audit of the 2010 financial statements, together with his opinion thereon, are also submitted to the Council as prescribed under financial regulation 12.10.

3 For the first time, 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 by resolution A.1017(26) effective 1 January 2010, and in line with the United Nations policy that IPSAS be used as the accounting standards by United Nations system organizations.

4 In 1948, an international conference in Geneva adopted a convention formally establishing the Intergovernmental Maritime Consultative Organization (IMCO). The Convention entered into force in 1958 and the Organization came into being in 1959. In 1982, the original name was changed to the International Maritime Organization (IMO). The Headquarters of the Organization are located in London and its complement is approximately 320 staff members. IMO's principal place of business, as well as the names and addresses of its General Counsel, actuary, principal bankers and external auditor are indicated at annex to these financial statements.

5 Within the meaning of IPSAS, IMO also supervises the World Maritime University (WMU) and the 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 169 Member States, with an elected Council of 40 Member States performing, in accordance with Article 26 of its constitutive Convention, all functions of the Assembly, with the exception of some technical matters, between sessions of the Assembly.

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

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

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

8 In delivering its mission, IMO has defined **13 strategic directions (SD)**, which are:

➢ SD 1 - IMO is the primary international forum for technical matters of all kinds affecting international shipping and legal matters related thereto. An inclusive and comprehensive approach to such matters will be a hallmark of IMO. In order to maintain that primacy, it will:

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

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

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

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

➢ SD 3 - IMO will strengthen its capacity-building programmes and will focus on:

.1 developing capacity-building partnerships with governments, organizations and industry;

.2 ensuring the long-term sustainability of the Integrated Technical Co-operation Programme (ITCP);

.3 contributing to the achievement of the Millennium Development Goals (MDGs);

.4 meeting the needs of its developing Member States; and

.5 improving the delivery, utilization and effectiveness of its technical co-operation programmes.

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

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

.1 ensuring that all systems related to enhancing the safety of human life at sea are adequate, including those concerned with large concentrations of people;

.2 enhancing technical, operational and safety management standards;

.3 eliminating shipping that fails to meet and maintain these standards on a continuous basis; and

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

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

.1 promoting a comprehensive and co-operative approach, both among Member States within the Organization and between IMO and other intergovernmental and non-governmental organizations;

.2 raising awareness of IMO security measures and promoting their effective implementation; and

.3 increasing the emphasis on the role of the human element and safeguarding the human rights of seafarers in secure shipping.

➢ SD 7 - IMO will focus on reducing and eliminating any adverse impact by shipping on the environment by:

.1 identifying and addressing possible adverse impacts;

.2 developing 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 global warming; 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, including port entry. It will also constantly review such measures to ensure their adequacy, effectiveness and relevance, using the best available tools, and to reduce administrative burdens.

➢ 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.

➢ 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 actively developing its community relations programmes.

- SD 12 - IMO will take the lead in enhancing the quality 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 and security (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 and security culture, and developing practical and effective mechanisms to address them.

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

9 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 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 in the regular budget.

10 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 included accordingly 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 IMPLEMENTATION

11 In March 2006, the Secretary-General of the United Nations proposed a number of cross-cutting measures to improve financial management practices in the United Nations system organizations.[1] In a report to the General Assembly, he proposed the introduction of new accounting standards combined with a new enterprise resource planning system, which, by the end of 2010, would provide a full attestation of the effectiveness of the United Nations financial controls in the financial reports.[2] Subsequently, the General Assembly, on 17 August 2006[3], by means of a resolution, adopted the International Public Sector Accounting Standards.

[1] “Investing in the United Nations: for a stronger Organization worldwide” (A/60/692 and Corr.1)
[2] A/60/846
[3] A/RES/60/283

12 Prior to the IMO Assembly's approval of the Organization's move to IPSAS accounting, significant work had been undertaken to develop new policies and procedures to support the new reporting requirements, with all relevant Secretariat staff being trained accordingly. Additional work was undertaken to re-state the 2009 closing balances, prepared under the then applying United Nations System Accounting Standards (UNSAS) into the 1 January 2010 balances consistent with the requirements of IPSAS. The results of this opening balance work are presented in Note 10 of these financial statements, which also provide a narrative on the most significant effects.

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

- **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 the Organization.

- **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.

- **Net assets** are the residual interest in the assets of IMO after deducting all its liabilities.

- **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.

- **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.

- **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.

- **Monetary items** are units of currency held and assets and liabilities to be received or paid in fixed or determinable amounts.

- **Surplus for the period** is the excess of all items of revenue over expense recognized in a period.

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

15 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.

16 Outstanding commitments raised against accumulated fund balances do not meet the recognition criteria of expenses under the principle outlined above. These commitments, from a budgetary point of view, are addressed through the provision of financial regulations

4.3 and 4.4, which allow the transfer of budget for committed items into the following financial periods.

17 IMO participates in the United Nations Joint Staff Pension Fund (UNJSPF)[4], 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.

18 The financial obligation of IMO to the UNJSPF comprises its mandated contribution at the rate established by the United Nations General Assembly, together with a share of any actuarial deficiency payments. The actuarial method adopted for the UNJSPF is the Open Group Aggregate method carried out every two years. The most recent actuarial valuation performed was at 31 December 2009. The United Nations General Assembly has maintained over the years the general criteria that guide the investment of the assets of the UNJSPF.

19 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 IMO is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability in line with IPSAS 25, IMO accounts for the plan as a defined contribution rather than as a defined benefit plan.

20 Having consulted independent actuaries, I included, in the 2010 financial statements employee benefits liabilities totalling £22,289,368 at the end of that year. The reporting of these liabilities in the financial statements for the first time is the primary reason for an identified General Fund deficit of £14,272,999 as at 31 December 2010.

21 At the Council's November 2010 session, I presented options on funding these staff liabilities and, when submitting to the Council my budget proposals for the 2012-2013 biennium, I intend to seek its decision on the appropriate means of funding such liabilities.

22 The attached financial statements and the accompanying notes are presented in Pounds Sterling (GBP) throughout, in contrast to the previous practice of reporting donor funds separately in U.S. Dollars (USD). This allows for an overview of the Organization's financial position in a single currency. Reportings to the Technical Co-operation Committee and individual donors at a more detailed level will continue to be made in the most appropriate currency.

FINANCIAL RISK MANAGEMENT

23 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 completed for 2010 and its results were reported to the Council at its November 2010 session.

24 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.

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

25 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.

26 Financial risk management is carried out by the Financial Services in compliance with an approved defined investment policy, which has been developed on the basis of advice received from an independent financial consultant. The Organization does not use derivatives or hedging for speculative purposes or for any other reason and its primary objective in placing funds on deposit is capital protection.

27 At 31 December 2010, 52% of cash, cash equivalent and short-term investments were denominated in the GBP base currency. Non-GBP holdings relate primarily to contributions made by donors, where expenditure is expected to be in a currency other than GBP and where the donor would expect any return of balance in a currency other than GBP.

28 IMO's credit risk is spread widely and its investment policy limits the amount of credit exposure to any one counterparty and includes minimum credit quality guidelines.

29 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.

30 Consistent with the objectives of its treasury policy, IMO does not trade in equities.

FINANCIAL AND BUDGET PERFORMANCE HIGHLIGHTS

31 The net assets position presented in Statement I shows a healthy financial situation for the Organization as a whole, with a closing net assets position of £20,467,678, an increase of £4,218,259 from the restated opening balance on 1 January 2010.

32 Looking, first, at the closing net assets position, it should be noted that, while the overall situation is strong, the reserves available to the Organization for future use are not without restrictions. Note 2.12 in the financial statements breaks down the overall reserve picture into the Organization's major funds, and it may be seen that of the overall £20,467,678 closing balance, £15,195,932 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. However, while the Working Capital Fund, Termination Benefit Fund, Headquarters Capital Fund, Training and Development Fund and the Technical Co-operation Fund are all in a strong financial position – noting that much of the surplus on the Trading Fund will, in due course, be transferred to the Technical Co-operation Fund in accordance with Assembly resolution A.1014(26) – the General Fund is currently at a deficit of £14,272,999, reflecting the significant long-term employee benefit liabilities addressed earlier (see paragraph 20).

33 The increase in cash and cash equivalents during 2010 is a reflection of the surplus generated during the year. I have outlined our treasury management arrangements earlier, the focus of which is on minimizing risk to capital, rather than generating maximum return on investment.

34 The reduction in contributions receivables (from £3,794,963 on 31 December 2009 to £2,164,144 on 31 December 2010) primarily relates to a reduction in outstanding donor contributions, and is linked to the reduction in liabilities due to non-exchange transactions to £5,268,601 (1 January 2010: £7,475,872). One of the Organization's most significant projects is the Malacca and Singapore Straits Marine Electronic Highway being delivered in partnership with the three littoral States of Indonesia, Malaysia and Singapore, and which is funded by the World Bank. The project has been running for six years and is due to conclude during 2011. Under IPSAS, the outstanding amount of funds for this major project due from the World Bank is shown as a donor contribution receivable. However, the funds are provided under such stringent terms and conditions that it is also necessary to recognize a liability to the World Bank for all amounts not yet spent in accordance with the agreement. The receivables have been reduced to reflect funds received from the Bank, while the liability has been reduced as the project has been successfully delivered, most notably through the successful completion of the hydrographic survey, a key component of the whole work.

35 The increase in the value of inventories primarily reflects the release of a new edition of the IMDG Code during the latter part of last year. The Code is one of the Organization's major sellers, and significant stocks are necessary to meet demand on a timely basis.

36 There has been a reduction in the value of fixed assets during the year, and many of the assets now in use at Headquarters have exceeded their expected useful life. This reflects a careful husbanding of our resources and a desire, in these difficult financial times, to make the best use of what we have available. We will, nevertheless, continue to invest in our fixed asset base in a strategic manner during 2011 and beyond, within the limits of the approved budget.

37 While we seek to carefully balance our obligations to suppliers with the need to effectively manage the Organization's cash flow, there has been some considerable reduction in accruals and outstanding amounts due to vendors in the course of the year under review, the most significant being a payment of £800,000 to the Government of the United Kingdom in relation to the refurbishment of our Headquarters building (the final payment of which (in the order of £800,000) having been made in January 2011), and the settlement of amounts due to the consultant employed to assist in the implementation of SAP HR and payroll, SAP eCommerce and the upgrading of our SAP system – work which was largely completed towards the end of 2009 but not paid for until 2010.

38 I have referred earlier to our significant long-term employee benefits, which were actuarially assessed in determining the Organization's financial position at 1 January 2010. The increase in the long-term liability figure to £22,230,019 (£20,915,664 on 1 January 2010) reflects a general trend of the unfunded liability increasing over time, in addition to which, for the period in question, the benefits earned by our staff exceeded those paid out to retiring and retired staff members. The actuarial study is conducted on a biennial basis and, consequently, there are no significant changes associated with changes in actuarial assumptions, with the Organization's exposure being re-assessed at the end of 2011.

39 Turning now to the increase in net assets during the year, the Assembly, by resolution A.1014(26), approved the budget for the 2010-2011 biennium, which, for the year 2010, included appropriations for the regular budget of £30,290,900 and other budgetary

Funds of £12,475,600 (comprising £5,757,400 for the Trading Fund; £1,713,000 for the Headquarters Capital Fund; £874,800 for the Termination Benefit Fund; £119,400 for the Training and Development Fund; and £4,011,000 for the Technical Co-operation Fund).

40 The overall year-end status of the 2010 budgets displays the original and the final budgets of £42,766,500 and £44,912,082, respectively, as can be seen in Statement Va. The final expenditure budget includes the budgets brought forward from 2009 of £2,145,582 in total to meet the 2009 unliquidated obligations (ULOs) in accordance with the delivery principle under IPSAS 1. In addition, under the technical co-operation heading, £250,000 was added to support the finances of WMU, in accordance with the Council's decision (paragraph 12(b).2 of document C104/D).

41 The presentation of the budget status is on a modified accrual/cash basis, instead of a full accrual basis. In this context, the comparison of actual receipts (£27,476,454) of assessment contribution with the assessment income budget (£27,748,500) shows a 99% collection rate as at 31 December 2010. The programme support costs income received from donor and trust Funds and other UN agencies totalled £392,585 for 2010, representing approximately 31% above the original estimates of £300,000 and an increase of 17% when compared with the 2009 outturn of £335,931, mainly due to increase in new donor funded projects. The Trading Fund income from the Organization's publishing and catering businesses for 2010 totalled £13,379,259, representing 36% above the target income, mainly due to greater demand for the revised edition of the IMDG Code. Other income earned for 2010 comprised of interest on investment on funds of £65,445; subletting income of the Organization's conference facilities of £86,972; and other miscellaneous income of £67,429. The total income and expenditure as at 31 December 2010 of WMU and IMLI are added as the heading 'Education and research' in Statement Vb. The increase in receipts under Education and research of £509,893 mainly represents the net effect of the increase in contribution income both towards WMU and IMLI during the year under review, including the cash injection to WMU of £250,000 as mentioned earlier. The income and expenditure relating to WMU and IMLI are converted into GBP using the average exchange rate of GBP 0.856 to Euro 1.

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

43 The overall budgetary situation of the **Regular Budget Strategic Results** in 2010 represented approximately 9% underspend in the appropriation, which is attributable, firstly, to a higher level of vacant posts from delayed recruitments; secondly, to savings in the cost of meetings resulting from the limited distribution of meetings documents; thirdly, to savings in utilities costs achieved from the favourable negotiation of rates with the energy providers; and, lastly, to reduced mission travel costs through forward planning, advance reservation and the use of restricted tickets.

44 The underspend in the **Trading Fund** in 2010 represented 2% of the final approved appropriation and is largely related to the expenditure control on general operating expenses and mission travel. As the cost of inventories is recognized as expenses in the accounts only when they are sold, exchanged or distributed in the year in which the related revenue arises, the costs of titled IMO Publications purchases of £1,317,456 recorded under the asset account as at 31 December 2010 (re: Note 2.3) was added to the Actual amounts against the budget under the heading of Trading Fund expenditure.

45 The status of the **Headquarters Capital Fund** based on the outturn, as at 31 December 2010, shows that the Organization has met its commitment of £800,000 for

2010 under its share of the costs of Phases 1 and 2 of the Headquarters refurbishment project amounting to £4,600,000. The overall expenditure at the end of December 2010 reached 70% of the final budget of £2,315,003, which included brought forward 2009 budget of £602,003 to cover the anticipated costs in 2010 of SAP HR/Payroll implementation. However, since the system went live in April 2010, the further enhancement of the system was postponed to sort out some teething issues and system stabilization. In addition, the replacement of hardware and software computer peripherals in line with the planned replacement cycle has been delayed due to refinement of contractual arrangements with prospective vendors.

46 The status of the **Termination Benefit Fund**, as at 31 December 2010, indicates a total expenditure of £692,930, which reflects some underspend, in particular, in the premium payment for after-service health insurance (ASHI). The lower than expected premium settlements were as a result of the reduced medical claims by retirees, resulting in an overall premium reduction of 10% starting from April 2010. The other factor to which the underspend can be attributed was the management's decision to postpone the separation of some staff members who are approaching the retirement age.

47 The underspend in the **Training and Development Fund** was largely related to training courses being conducted in-house rather than off site for which the total package costs are on the high side.

48 The final budget for activities financed by the **Technical Co-operation Fund** comprised of the approved 2010 appropriation of £4,011,000; £1,211,100 brought forward from the 2009 budget to finance delayed activities; and a financial aid of £250,000 to WMU. The overall expenditure, under the Technical Co-operation Fund for the Organization's Integrated Technical Co-operation Programme (ITCP), as at 31 December 2010 was £5,472,100 representing 77% of the final budget. The underspend was partly due to unexpected problems and difficulties in some recipient countries, which were outside IMO's control and resulted in the postponement or cancellation of planned activities. Extra resources made available from other sources (various donor/trust funds, industry organizations and partnership arrangements, jointly delivering the programmes) have also contributed to the underspend. Variable travel costs for consultants and participants, depending on the provenance and the location of the host country, have also contributed to the underspend.

49 The consolidated Statement Vb shows a budgetary saving under Education and Research of £408,539 largely attributable to the decrease in the costs of personnel, student, academic and general administration and miscellaneous costs. The decrease in student costs – in particular, for WMU – is due to reduced student activities and other related costs resulting from the shortened duration of the courses provided (from 17 months to a new 14-month programme, which started being implemented during the last quarter of 2010).

50 In addition to budgetary controls, there has also been an increase in net assets of £316,069 for IMO (£428,648 for the consolidated group) resulting from foreign exchange gains. The Organization holds funds in the most appropriate currency for its operational activities, and does not actively seek foreign exchange gains – those arising during the year under review are primarily the result of the slight strengthening of the US dollar over GBP, increasing the value of those cash balances held, which relate to donor agreements, which are reported to the donor concerned, and consequently managed, in USD. The slight increase in value of the Euro against GBP over the year has also led to an increase in the reporting value of net assets held by WMU and IMLI.

SUSTAINABILITY

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

52 My above assertion is supported by: i) the increase approved by the Council in the agreed budget for 2010-2011; ii) the scope and content of the Strategic Plan prepared for the period 2010-2016; iii) the net assets held at the end of the period; iv) the high level of collections of the assessed contribution of over 95% for the past 10 years; and v) the trend in donor support that has been sustaining IMO's mandate, including delivery of technical co-operation work as determined by the Council and Assembly.

RESPONSIBILITY

53 As required under financial regulation 12.10, I am pleased to submit the annexed financial statements, the first ever to have been prepared under IPSAS. 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 2010.

Statement I - Statement of Financial Position as at 31 December 2010

Statement II - Statement of Financial Performance for the year ended 31 December 2010

Statement III - Statement of Changes in Net Assets for the year ended 31 December 2010

Statement IV - Statement of Cash Flow for the year ended 31 December 2010

Statement V - Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2010

Notes to the Financial Statements

Signed on original
Efthimios E. Mitropoulos
Secretary-General
London, 11 April 2011

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT I
STATEMENT OF FINANCIAL POSITION
as at 31 December 2010
(GBP)

		IMO		Consolidated	
	Note	**2010**	**Opening Balance 01.01.2010 (restated)**	**2010**	**Opening Balance 01.01.2010 (restated)**
ASSETS					
Current assets					
Cash and cash equivalents	2.1	44,062,138	40,633,539	51,307,080	46,237,248
Contributions receivable	2.2	2,164,144	3,794,963	2,220,602	3,885,519
Inventories	2.3	687,534	582,622	723,864	599,899
Advances to sub-contractors	2.4	1,194,213	1,474,309	1,194,213	1,474,309
Other receivables	2.5				
Relating to exchange transactions		1,735,722	2,327,844	2,339,759	2,827,092
Relating to non-exchange transactions		-	-	255	48,125
Total current assets		**49,843,751**	**48,813,277**	**57,785,773**	**55,072,192**
Non-current assets					
Property, plant and equipment	2.6	741,960	802,529	888,849	933,278
Intangible assets	2.7	813,941	894,273	815,426	897,266
Total non-current assets		**1,555,901**	**1,696,802**	**1,704,275**	**1,830,544**
TOTAL ASSETS		**51,399,652**	**50,510,079**	**59,490,048**	**56,902,736**
LIABILITIES					
Current liabilities					
Payables and accruals	2.8				
Relating to exchange transactions		(3,125,494)	(5,527,312)	(3,775,121)	(6,170,210)
Relating to non-exchange transactions		(5,268,601)	(7,475,872)	(7,734,250)	(8,048,613)
Provisions and warranties	2.9				
Relating to exchange transactions		(98,896)	(78,900)	(98,896)	(78,900)
Short-term employee benefits	2.10	(59,349)	(57,464)	(216,598)	(255,835)
Finance lease liabilities	2.11	(60,088)	(67,130)	(60,088)	(67,130)
Total current liabilities		**(8,612,428)**	**(13,206,678)**	**(11,884,953)**	**(14,620,688)**
Non-current liabilities					
Long-term employee benefits	2.10	(22,230,019)	(20,915,664)	(22,512,255)	(21,226,500)
Finance lease liabilities	2.11	(89,527)	(138,318)	(89,527)	(138,318)
Total non-current liabilities		**(22,319,546)**	**(21,053,982)**	**(22,601,782)**	**(21,364,818)**
TOTAL LIABILITIES		**(30,931,974)**	**(34,260,660)**	**(34,486,735)**	**(35,985,506)**
NET ASSETS		**20,467,678**	**16,249,419**	**25,003,313**	**20,917,230**

FUND BALANCES AND RESERVES					
Fund balances and reserves	2.12	16,249,419	16,249,419	20,917,230	20,917,230
Surplus for the year		4,218,259		4,086,083	
TOTAL FUND BALANCES AND RESERVES	2.12	**20,467,678**	**16,249,419**	**25,003,313**	**20,917,230**

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

Signed on original
A. Winbow
Assistant Secretary-General/Director of Administration

London, 25 March 2011

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 December 2010
(GBP)

	Note	IMO 2010	Consolidated 2010
REVENUE			
Assessed contributions	3.1	27,748,500	27,748,500
Donor contributions	3.2	6,832,749	9,673,882
Commercial activities	3.3	13,440,676	14,068,298
Fellowships	3.4	-	1,556,798
Other revenue	3.5	174,060	460,540
TOTAL REVENUE		**48,195,985**	**53,508,018**
EXPENDITURE			
Staff and other personnel costs	4.1	(30,175,827)	(33,740,437)
Travel	4.2	(1,860,039)	(2,132,497)
Supplies, consumables and other running costs	4.3	(5,178,131)	(5,719,894)
Costs related to trading activities	4.4	(1,818,483)	(1,868,695)
Outsourced services	4.5	(969,255)	(1,105,138)
Training and development	4.6	(2,342,487)	(3,155,581)
Currency exchange gains	4.7	316,069	428,648
Depreciation and amortization	4.8	(765,854)	(846,944)
Other expenses	4.9	(1,183,719)	(1,281,397)
TOTAL EXPENDITURE		**(43,977,726)**	**(49,421,935)**
SURPLUS FOR THE YEAR		**4,218,259**	**4,086,083**

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

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT IIIa
STATEMENT OF CHANGES IN NET ASSETS - IMO
for the year ended 31 December 2010
(GBP)

	Note	Accumulated Surpluses/ Fund Balances
Closing balance 31 December 2009	10	**37,600,649**
Change in accounting policy and other adjustments to net assets		
Initial recognition of inventories net of impairment	10	582,622
Initial recognition of property, plant and equipment	10	802,529
Initial recognition of intangible assets	10	894,273
Initial recognition of employee benefits liabilities	10	(20,973,128)
Initial recognition of finance lease liabilities	10	(205,448)
Other adjustments to fund balances	10	(2,452,078)
Total recognized changes in net assets since last published accounts	10	(21,351,230)
Adjusted opening balance 01 January 2010	10	**16,249,419**
Movements in fund balances and reserves in 2010		
Surplus for the year		4,218,259
Total movement during the year		**4,218,259**
TOTAL NET ASSETS		**20,467,678**

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

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT IIIb
STATEMENT OF CHANGES IN NET ASSETS - Consolidated
for the year ended 31 December 2010
(GBP)

	Note	Accumulated Surpluses/ Fund Balances
Closing balance 31 December 2009	10	**42,649,369**
Change in accounting policy and other adjustments to net assets		
Initial recognition of inventories net of impairment	10	599,899
Initial recognition of property, plant and equipment	10	885,922
Initial recognition of intangible assets	10	897,266
Initial recognition of employee benefits liabilities	10	(21,459,144)
Initial recognition of finance lease liabilities	10	(205,448)
Other adjustments to fund balances	10	(2,450,634)
Total recognized changes in net assets since last published accounts	10	**(21,732,139)**
Adjusted opening balance 01 January 2010	10	**20,917,230**
Movements in fund balances and reserves in 2010		
Surplus for the year		4,086,083
Total movement during the year		**4,086,083**
TOTAL NET ASSETS		**25,003,313**

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 2010

(GBP)

	Note	IMO 2010	Consolidated 2010
Cash flow from operating activities:			
Surplus for the period[1]		**3,120,338**	**2,844,237**
Interest earned	3.5	162,832	226,241
Decrease in contributions receivable	2.2	1,630,819	1,664,917
(Increase) in inventories	2.3	(104,912)	(123,965)
Decrease in advances to sub-contractors		280,096	280,096
Decrease in other receivables	2.5	592,122	535,203
Depreciation of property, plant and equipment	2.6	423,728	483,825[2]
Amortization of intangible assets	2.7	328,293	338,993[2]
(Decrease) in payables and accruals	2.8	(4,609,089)	(2,709,452)
Increase in provisions and warranties	2.9	19,996	19,996
Increase in employee benefits	2.10	1,316,240	1,246,518
Net cash flows from operating activities		**3,160,463**	**4,806,609**
Cash flows from investing activities:			
(Increase) in property, plant and equipment	2.6	(363,637)	(439,874)[2]
Loss on disposal of property, plant and equipment	2.6	478	478
(Increase) in intangible assets	2.7	(247,961)	(257,153)[2]
Net cash flows from investing activities		**(611,120)**	**(696,549)**
Cash flows from financing activities:			
(Decrease) in finance lease liabilities	2.11	(55,833)	(55,833)
Net cash flows from financing activities		**(55,833)**	**(55,833)**
Effect of exchange rate changes on cash and cash equivalents		**935,089**	**1,015,605**
Net increase in cash and cash equivalents		**3,428,599**	**5,069,832**
Cash and cash equivalents at beginning of the year	2.1	**40,633,539**	**46,237,248**
Cash and cash equivalents at end of the year	2.1	**44,062,138**	**51,307,080[3]**

The accompanying notes form an integral part of these financial statements

1. Excluding interest earned of £162,832 for IMO and £226,241 for the consolidated group and a gain on exchange of £935,089 for IMO and £1,015,605 for the consolidated group on cash and cash equivalents held.
2. Depreciation of property, plant and equipment, amortization of intangible assets, increase in property, plant and equipment and increase in intangible assets include the effect of the exchange rate adjustment for exchange rate movements in the year. Notes 2.6 and 2.7 show additions and foreign exchange adjustments separately rather than in aggregate.
3. The amount of £1,098,729 has been ring-fenced for the establishment of a successor to the proposed IMLI Pension Scheme which will commence on 1 January 2011.

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT Va
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
for the year ended 31 December 2010

(GBP)
(IMO ONLY)

	Budget Amounts[2]		Actual Amounts on Comparable Basis[2]	Variances: Final Budget and Actual Amounts
	Original	**Final**		
Receipts[1]				
Assessed contribution	27,748,500	27,748,500	27,476,454	272,046
Support cost income	300,000	300,000	392,585	(92,585)
Trading income	9,843,300	9,843,300	13,379,259	(3,535,959)
Other income	80,000	80,000	219,846	(139,846)
Total Receipts	**37,971,800**	**37,971,800**	**41,468,144**	**(3,496,344)**
Payments[1]				
Regular budget strategic results	30,290,900	30,368,978	27,661,433	2,707,545
Trading	5,757,400	5,757,400	5,489,521	267,879
Headquarters capital	1,713,000	2,315,003	1,617,601	697,402
Termination/Separation	874,800	874,800	692,930	181,870
Training and development	119,400	123,801	55,060	68,741
Technical co-operation	4,011,000	5,472,100	4,221,090	1,251,010
Total Payments	**42,766,500**	**44,912,082**	**39,737,635**	**5,174,447**
Net	**(4,794,700)**	**(6,940,282)**	**1,730,509**	**(8,670,791)**

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 represents 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 reconciliation is provided in Note 5.

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT Vb
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
for the year ended 31 December 2010

(GBP)
(CONSOLIDATED)

	Budget Amounts[2]		Actual Amounts on Comparable Basis[2]	Variances: Final Budget and Actual Amounts
	Original	Final		
Receipts[1]				
Assessed contribution	27,748,500	27,748,500	27,476,454	272,046
Support cost income	300,000	300,000	392,585	(92,585)
Trading income	9,843,300	9,843,300	13,379,259	(3,535,959)
Other income	80,000	80,000	219,846	(139,846)
Education and research	6,961,163	6,029,835	6,539,728	(509,893)
Total Receipts	**44,932,963**	**44,001,635**	**48,007,872**	**(4,006,237)**
Payments[1]				
Regular budget strategic results	30,290,900	30,368,978	27,661,433	2,707,545
Trading	5,757,400	5,757,400	5,489,521	267,879
Headquarters capital	1,713,000	2,315,003	1,617,601	697,402
Termination/Separation	874,800	874,800	692,930	181,870
Training and development	119,400	123,801	55,060	68,741
Technical co-operation	4,011,000	5,472,100	4,221,090	1,251,010
Education and research	6,907,178	6,768,506	6,359,967	408,539
Total Payments	**49,673,678**	**51,680,588**	**46,097,602**	**5,582,986**
Net	**(4,740,715)**	**(7,678,953)**	**1,910,270**	**(9,589,223)**

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 represents it by nature/function.
2. Budget amounts are the modified accrual basis adopted in the budget preparation and approved by **the Assembly/Council or the appropriate governing body for WMU and IMLI (Education and research)** and the actual amounts are on the same basis as the budget amounts. The reconciliation is provided in Note 5.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010

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.

2 These are the first set of financial statements to be prepared in accordance with IPSAS. The adoption of IPSAS has required changes to be made to the accounting policies previously followed by IMO, including the preparation of a single set of financial statements covering both regular and extra-budgetary activities, which are presented throughout in Pounds Sterling (GBP). The adoption of the new accounting policies has resulted in changes to the assets and liabilities recognized in the Statement of Financial Position. Accordingly, the last audited Statement of Financial Position, dated 31 December 2009, has been restated and the resulting changes are reported in the Statement of Changes in Net Assets and Note 10. The revised 31 December 2009 Statement of Financial Position is described in these financial statements as the Opening Balance on 1 January 2010 (restated). The net effect of the changes brought about by the adoption of IPSAS in the Statement of Financial Position amounted to a decrease in total net assets of £21,351,230 on 1 January 2010. In addition to this effect, IPSAS requires a single report on all assets and liabilities controlled by the Organization, and consequently the previous presentation of 'Organization funds' and 'donor funds' have been integrated into a single overall position.

3 On the initial adoption of IPSAS, certain transitional provisions are permitted. For the Organization, the only transitional provision to have been applied in preparing these financial statements is that comparative information has not been provided in the Statements of Financial Performance and Cash Flow (IPSAS 1). In addition, in line with IPSAS 17 - 'Property, Plant and Equipment', which allows for a grace period of up to five years following the date of first adoption of accrual accounting in accordance with IPSAS, the International Maritime Law Institute (IMLI) has partially invoked this transitional provision for these financial statements in respect of IMLI'S reference library. All other plant and equipment has been stated at cost less accumulated depreciation.

4 IPSAS 25 - 'Employee Benefits' and IPSAS 31 - 'Intangible Assets' have been adopted prior to their required implementation date. The effect on net assets of early adoption of these Standards is nil, as an analogous accounting treatment would have been adopted under the alternative International Accounting Standards IAS 19 - 'Employee Benefits' and IAS 38 - 'Intangible Assets' respectively.

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

6 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 IMLI based in Sweden and Malta respectively. Consolidated financial statements have therefore been prepared and are shown alongside those of IMO alone for ease of reference.

7 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

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

9 Investment revenue is recognized as it accrues.

Contributions and Receivables

10 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.

11 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'.

12 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 MDTF respectively, and such reserves may only be used in accordance with these restrictions.

13 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.

14 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

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

16 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.

17 Revenue from 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

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

19 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.

20 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.

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

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

23 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

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

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

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

library collection holds less than 10% reference books, all items will be expensed as purchased.

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

Intangible Assets

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

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

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

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

Leases

Finance Leases

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

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

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

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

Operating Leases

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

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

Employee Benefits Liabilities

37 IMO recognizes the following categories of employee benefits:

- short-term employee benefits which fall due wholly 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.

38 Certain categories of employees of IMO are members of the United Nations Joint Staff Pension Fund (UNJSPF). The Pension Fund is a multi-employer funded, defined benefit plan. IMO is not in a position to identify its share of the underlying financial position and performance of the plan on an IPSAS 25 basis with sufficient reliability for accounting purposes, and treats this plan as if it were a defined contribution plan.

39 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 2010.

40 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

41 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.

42 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.

43 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

44 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.

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

46 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.

47 Under Technical Co-operation and Extra-budgetary Activities, the Organization provides Member States with technical co-operation and extra-budgetary planning and implementation services. Such activities are primarily funded through the surplus of the Organization's commercial activities and through contributions from donors. In this context, the Organization's Technical Co-operation Fund and all donor trust Funds are grouped under this segment. Activities under WMU and the IMLI are categorized under the Education and Research segment.

48 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.

49 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

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

NOTE 2: ASSETS AND LIABILITIES

Note 2.1: Cash and Cash Equivalents

	IMO		Consolidated	
	2010	Opening Balance 01.01.2010 (restated)	2010	Opening Balance 01.01.2010 (restated)
	GBP		GBP	
Cash and Cash Equivalents				
Bank and cash at Headquarters	7,098,988	4,220,600	12,026,093	7,856,629
Short term deposits	36,958,981	36,409,554	39,274,432	38,374,291
Other cash and cash equivalents	4,169	3,385	6,555	6,328
Total Cash and Cash Equivalents	**44,062,138**	**40,633,539**	**51,307,080**	**46,237,248**

51 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.

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

53 Cash and cash equivalents of IMLI as at 31 December 2010 include a sum of £1,098,729, which has been ring-fenced for the establishment of a successor to the proposed IMLI Pension Scheme to be commenced on 1 January 2011.

54 There are bank accounts amounting to £552,681 held in the name of IMLI. These balances are held in trust for those members of staff who are entitled to benefits under the Staff Allegiance Scheme. They are thus not included in the financial statements. Note 2.10 provides further details on amendments to the scheme effective 1 January 2011.

Note 2.2: Contributions Receivable

	IMO		Consolidated	
	2010	Opening Balance 01.01.2010 (restated)	2010	Opening Balance 01.01.2010 (restated)
	GBP		GBP	
Composition:				
Member States	252,238	139,843	252,238	139,843
Donor contributions	1,911,906	3,655,120	1,968,364	3,745,676
Total Contributions Receivable	**2,164,144**	**3,794,963**	**2,220,602**	**3,885,519**

	IMO		Consolidated	
	2010	Opening Balance 01.01.2010 (restated)	2010	Opening Balance 01.01.2010 (restated)
	GBP		GBP	
Member States' assessments due	997,716	845,512	997,716	845,512
Total Contributions Receivable before allowance	**997,716**	**845,512**	**997,716**	**845,512**
Fair value adjustments	(390,414)	(350,605)	(390,414)	(350,605)
Allowance for doubtful accounts	(355,064)	(355,064)	(355,064)	(355,064)
Net Contributions Receivable	**252,238**	**139,843**	**252,238**	**139,843**

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

	IMO		Consolidated	
	2010		2010	
	GBP	%	GBP	%
Year of assessment:				
2010	272,046	27.27	272,046	27.27
2009	64,714	6.49	64,714	6.49
2008 and earlier	660,956	66.24	660,956	66.24
Nominal value of assessments receivable	**997,716**	**100.00**	**997,716**	**100.00**

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 For those Member States with an agreed payment plan in place, an adjustment is made to discount the future cash flows based on the timings in the payment plan. For Member States without such an agreement, an approximation is made based on historical

experience - Member States with arrears extending only to the current year and prior year have no fair value adjustment made, while for Member States with arrears prior to 2009 it is 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.

58 In the case of Member States assessments due, adjustments are made to better reflect the fair value of the receivables in the financial statements and do not constitute a formal write-off of the receivable nor a releasing of the third party from their obligations.

59 The movements of the allowance for fair value adjustment and doubtful accounts during 2010 are as follows:

	Opening Balance 01.01.2010 (restated)	Utilization	Increase/ (Decrease)	Closing Balance 31.12.2010
	GBP			
Fair value adjustment for Member States' arrears - IMO	350,605	(17,261)	57,070	**390,414**
Fair value adjustment for Member States' arrears - Consolidated	350,605	(17,261)	57,070	**390,414**
Total allowance for doubtful accounts - IMO	355,064	-	-	**355,064**
Total allowance for doubtful accounts - Consolidated	355,064	-	-	**355,064**

60 Non-current contribution receivables are from Member States with a payment plan in place for those portions of the repayment amount due after 12 months from the date of the financial statements or for confirmed contributions due from donors after 12 months from the date of the financial statements.

61 Contributions receivable from donors include: amounts due but not yet received under signed donor agreements, other than those amounts for future periods dependent on the successful completion of earlier phases of work; amounts due under sub-letting agreements where IMO manages the office space and recovers from third parties; and joint agency activities whereby IMO acts as administrator for payment activities.

62 Contributions receivable from donors are shown net of contributions adjustments related to allowance for doubtful accounts based on an individual review of each receivable. Amounts due beyond 2011 are discounted based on likely timings of such future cash flows. A review of amounts due as at 31 December 2010 indicated that no such adjustments were required on outstanding balances.

63 In the case of donor contributions due, adjustments are made to better reflect the fair value of the receivables in the financial statements and do not constitute a formal write-off of the receivable nor a releasing of the third party from their obligations.

Note 2.3: Inventories

	IMO		Consolidated	
	2010	Opening Balance 01.01.2010 (restated)	2010	Opening Balance 01.01.2010 (restated)
	GBP		GBP	
IMO publications	668,609	558,298	668,609	558,298
Model courses	18,925	24,324	18,925	24,324
Public relations articles held by WMU	-	-	36,330	17,277
Total Inventories	**687,534**	**582,622**	**723,864**	**599,899**

Inventories reconciliation	**2010**
	GBP
Opening inventories	582,622
Purchases	1,317,456
Total inventories available for sale	**1,900,078**
Cost of sales	(1,163,481)
Cost of free distributions	(38,506)
Adjustments following physical inventory count	2,798
Impairment loss of IMO publications	(13,355)
Total inventories	**687,534**

	Opening Balance 01.01.2010 (restated)	Utilization	Increase/ (Decrease)	2010
	GBP			
Allowance for impairment - slow moving titles	-	-	-	-
Allowance for impairment - obsolete books	-	-	13,355	13,355
Total allowance	**-**	**-**	**13,355**	**13,355**

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 (around 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 2010 held at distributor premises amounts to £85,923 of which £85,335 is for IMO Publications and £588 for Model Courses.

Note 2.4: Advances to Sub-Contractors

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

	IMO	
	2010	Opening Balance 01.01.2010
	GBP	
UNDP Service Clearing Account	789,687	684,081
REMPEC	192,771	99,059
SAFEMED	53,999	152,138
SECROCRAM	73,431	72,827
REMPEITC-CARIB	27,139	32,607
FAO	27,030	32,193
DIRECTEMAR	15,408	4,912
CPPS	11,988	-
Total	**1,191,453**	**1,077,817**

Note 2.5: Other Receivables

	IMO		Consolidated	
	2010	Opening Balance 01.01.20100	2010	Opening Balance 01.01.2010
	GBP		GBP	
Relating to exchange transactions				
Advances to vendors	53,290	24,949	312,310	269,516
Advances to staff	740,542	665,474	741,621	668,189
Taxes recoverable	410,082	725,054	441,385	762,356
Miscellaneous	531,808	912,367	682,929	947,732
Fellowships	-	-	161,514	179,299
	1,735,722	2,327,844	2,339,759	2,827,092
Relating to non-exchange transactions				
Fellowships	-	-	255	48,125
Total Other Receivables	**1,735,722**	**2,327,844**	**2,340,014**	**2,875,217**

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

69 Advances to staff are for education grants, travel and other staff entitlements made in accordance with the Staff Regulations and Staff Rules.

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

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

Note 2.6: Property, Plant and Equipment

	Asset category - IMO						
	Communication & IT equipment	Conference equipment	Vehicles	Furniture & fixtures	Leased equipment	Miscellaneous	Total
Cost				GBP			
Opening Balance 01.01.2010 (restated)	1,570,427	655,916	116,719	488,625	282,969	45,025	**3,159,681**
Additions	305,184	980	49,881	3,403	-	4,189	**363,637**
Disposals	(112,716)	-	-	-	-	(6,578)	**(119,294)**
Closing Balance 31.12.2010	**1,762,895**	**656,896**	**166,600**	**492,028**	**282,969**	**42,636**	**3,404,024**
Accumulated Depreciation							
Opening Balance 01.01.2010 (restated)	(1,221,728)	(649,939)	(89,597)	(263,068)	(93,122)	(39,698)	**(2,357,152)**
Disposals	112,238	-	-	-	-	6,578	**118,816**
Depreciation charge for the year	(275,655)	(1,198)	(13,024)	(74,240)	(57,495)	(2,116)	**(423,728)**
Impairment charge for the year	-	-	-	-	-	-	**-**
Closing Balance 31.12.2010	**(1,385,145)**	**(651,137)**	**(102,621)**	**(337,308)**	**(150,617)**	**(35,236)**	**(2,662,064)**
Net Book Value							
Opening Balance 1.1.2010 (restated)	348,699	5,977	27,122	225,557	189,847	5,327	**802,529**
Closing Balance 31.12.2010	**377,750**	**5,759**	**63,979**	**154,720**	**132,352**	**7,400**	**741,960**

72 Opening balances for property, plant and equipment reflect the initial recognition of balances in all categories in line with the adoption of IPSAS from 1 January 2010.

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

74 Assets are reviewed annually to determine if there is any impairment in their value. During 2010, 144 items of property, plant and equipment were disposed of due to the assets being unusable or unserviceable, of which 99.3% were fully depreciated.

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

Asset Category - Consolidated

	Communication & IT equipment	Conference equipment	Vehicles	Furniture & fixtures	Leased equipment	Miscellaneous	Total
Cost				**GBP**			
Opening Balance 01.01.2010 (restated)	1,653,946	655,916	224,601	592,698	282,969	54,892	**3,465,022**
Additions	381,491	980	49,881	4405	-	20,609	**457,366**
Disposals	(112,716)	-	-	-	-	(6,578)	**(119,294)**
Movements as a result of exchange differences	(5,080)	-	(5,987)	(5,781)	-	(644)	**(17,492)**
Closing Balance 31.12.2010	**1,917,641**	**656,896**	**268,495**	**591,322**	**282,969**	**68,279**	**3,785,602**
Accumulated Depreciation							
Opening Balance 01.01.2010 (restated)	(1,269,051)	(649,939)	(155,110)	(318,488)	(93,122)	(46,034)	**(2,531,744)**
Disposals	112,238	-	-	-	-	6,578	**118,816**
Depreciation charge for the year	(303,567)	(1,198)	(34,629)	(89,915)	(57,496)	(7,117)	**(493,922)**
Impairment charge for the year	-	-	-	-	-	-	**-**
Movements as a result of exchange differences	2,788	-	3,761	3,166	-	382	**10,097**
Closing Balance 31.12.2010	**(1,457,592)**	**(651,137)**	**(185,978)**	**(405,237)**	**(150,618)**	**(46,191)**	**(2,896,753)**
Net Book Value							
Opening Balance 01.1.2010 (restated)	384,895	5,977	69,491	274,210	189,847	8,858	**933,278**
Closing Balance 31.12.2010	**460,049**	**5,759**	**82,517**	**186,085**	**132,351**	**22,088**	**888,849**

76 The total value reported under “Miscellaneous” as at 31 December 2010 includes the reference library (£12,206) held by IMLI.

77 This note includes the effect of the revaluation of the property, plant and equipment held by WMU and IMLI with a net impact of £7,395 resulting from the change in value of the Euro from 1 January to 31 December 2010. Opening balances are presented at the exchange rate applicable on 1 January 2010 and closing balances at the rate applicable on 31 December 2010, while depreciation charges and additions for the year are shown at the average rate of exchange, consistent with Statement I and Statement II respectively.

78 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 available the building 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 £7,700.

Note 2.7: Intangible Assets

	Asset category - IMO		
	Assets under Construction	**Externally purchased software**	**Total**
Cost		**GBP**	
Opening Balance 01.01.2010 (restated)	399,390	1,040,479	**1,439,869**
Additions	171,167	76,794	**247,961**
Transfer of Assets under construction on completion	(570,557)	570,557	**-**
Closing Balance 31.12.2010	-	**1,687,830**	**1,687,830**
Accumulated Amortization			
Opening Balance 01.01.2010 (restated)	-	(545,596)	**(545,596)**
Disposals	-	-	**-**
Amortization charge for the year	-	(328,293)	**(328,293)**
Impairment charge for the year	-	-	**-**
Closing Balance 31.12.2010	-	**(873,889)**	**(873,889)**
Net Book Value			
Opening Balance 1.1.2010 (restated)	399,390	494,883	**894,273**
Closing Balance 31.12.10	**-**	**813,941**	**813,941**

79 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.

80 During 2009 and 2010, the Organization upgraded its SAP system and enhanced it by adding two modules - SAP e-Commerce to support the Organization's commercial sales and SAP HR and Payroll. The former enhancement along with the upgrade was finalized in December 2009 and consequently has been included in the IPSAS opening balances with a total value of £455,061. The latter enhancement was finalized in March 2010 and consequently the costs incurred to the end of December 2009 are shown as 'Assets Under Construction' of £399,390. The remaining project costs of £171,167, were added during 2010 with the whole being transferred to the main asset category on completion at the end of March 2010, and amortized from that point.

	Asset category - Consolidated		
	Assets under Construction	**Externally purchased software**	**Total Group**
Cost		**GBP**	
Opening Balance 01.01.2010 (restated)	399,390	1,045,866	**1,445,256**
Additions	171,167	86,340	**257,507**
Transfer of Assets under construction on completions	(570,557)	570,557	**-**
Movements as a result of exchange rate difference	-	(354)	**(354)**
Closing Balance 31.12.2010	-	**1,702,409**	**1,702,409**
Accumulated Amortization			
Opening Balance 01.01.2010 (restated)	-	(547,990)	**(547,990)**
Disposals	-	-	**-**
Amortization charge for the year	-	(339,189)	**(339,189)**
Impairment charge for the year	-	-	**-**
Movements as a result of exchange rate difference	-	196	**196**
Closing Balance 31.12.2010	-	**(886,983)**	**(886,983)**
Net Book Value			
Opening Balance 1.1.2010 (restated)	399,390	497,876	**897,266**
Closing Balance 31.12.10	**-**	**815,426**	**815,426**

81 This note includes the effect of the revaluation of the Intangible Assets held by WMU with a net impact of £158 resulting from the change in value of the Euro from 1 January to 31 December 2010. Opening balances are presented at the exchange rate applicable on 1 January 2010 and closing balances at the rate applicable on 31 December 2010, while depreciation charges and additions for the year are shown at the average rate of exchange, consistent with Statement I and Statement II respectively.

Note 2.8: Payables and Accruals

	IMO		Consolidated	
	2010	Opening Balance 01.01.2010	2010	Opening Balance 01.01.2010
	GBP		GBP	
Relating to exchange transactions				
Payable to vendors	1,358,175	4,108,317	1,452,282	4,159,637
Payable to staff	80,449	27,473	80,449	27,473
Accruals	1,686,870	1,391,522	2,242,390	1,983,100
	3,125,494	5,527,312	3,775,121	6,170,210
Relating to non-exchange transactions				
Fellowships			1,810,509	428,024
Condition on donor contributions	2,522,044	4,878,517	2,677,037	4,878,517
Payable to donors	929,006	896,547	1,219,439	962,065
Contributions Incentive Scheme	1,420,094	1,590,142	1,420,094	1,590,142
Advance contributions	288,063	110,666	288,063	110,666
Others	109,394	-	319,108	79,199
	5,268,601	7,475,872	7,734,250	8,048,613
Total Payables and Accruals	**8,394,095**	**13,003,184**	**11,509,371**	**14,218,823**

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

83 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.

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

85 The Organization recognizes as a liability conditions attached to voluntary contributions. Conditions are 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.

Note 2.9: Provisions and Warranties

	IMO		Consolidated	
	2010	Opening Balance 01.01.2010 (restated)	2010	Opening Balance 01.01.2010 (restated)
	GBP		GBP	
Publication sales warranties	98,896	78,900	98,896	78,900
Total inventories	**98,896**	**78,900**	**98,896**	**78,900**

86 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 level of sales in the year and past experience of return levels.

Note 2.10: Employee Benefits

IMO	2010			
	Actuarial Valuation	IMO Estimates	Total	Opening Balance 01.01.2010 (restated)
	GBP			
Short-term employee benefits	-	59,349	59,349	57,464
Post-employment benefits	20,871,293	21,132	20,892,425	19,614,232
Other long-term employee benefits	1,337,594	-	1,337,594	1,301,432
Total Employee Benefits Liabilities	**22,208,887**	**80,481**	**22,289,368**	**20,973,128**

	2010	Opening Balance 01.01.2010 (restated)
	GBP	
Composition:		
Current	59,349	57,464
Non-current	22,230,019	20,915,664
Total Employee Benefits Liabilities	**22,289,368**	**20,973,128**

Consolidated	2010			
	Actuarial Valuation	Group Estimates	Total	Opening Balance 01.01.2010 (restated)
	GBP			
Short-term employee benefits	-	216,598	216,598	255,835
Post-employment benefits	20,871,293	154,243	21,025,536	19,752,611
Other long-term employee benefits	1,337,594	149,125	1,486,719	1,473,889
Total Employee Benefits Liabilities	**22,208,887**	**519,966**	**22,728,853**	**21,482,335**

	2010	Opening Balance 01.01.2010 (restated)
	GBP	
Composition:		
Current	216,598	255,835
Non-current	22,512,255	21,226,500
Total Employee Benefits Liabilities	**22,728,853**	**21,482,335**

87 There were no Termination Benefits due at the end of 2010 (2009: nil).

88 IMLI operates a Staff Allegiance Scheme to which £23,191 was due as at 1 January 2010 and nil due as at 31 December 2010. The current scheme which was terminated on 31 December 2010 consisted of annual contributions made by the Institute amounting to 16.67% of the annual basic salary entitlement of eligible employees. As from 1 January 2011 a new Staff Allegiance Scheme is to be introduced. This scheme will be different in that both the Institute and the employees will contribute to the scheme. The Institute will contribute, on a monthly basis, 20% of the basic monthly salary of each employee whilst the employee will contribute 10%, on a monthly basis, of the basic monthly salary entitlement.

2.10.1: Valuation of Employee Benefits Liabilities

89 Employee benefits liabilities are determined by professional actuaries or calculated by IMO based on personnel data and past payment experience. At 31 December 2010, total employee benefits liabilities amounted to £22,289,368, of which £22,208,887 was calculated by the actuaries and £80,481 was calculated by IMO. Of the total liabilities of £22,289,368 the amount of £19,086,058 related to post-employment benefits and annual leave has been charged against the Organization's General Fund with the balance charged to the relevant funds and projects. Actuarial valuations are undertaken every two years, the most recent being completed at 31 December 2009.

2.10.2: Short-Term Employee Benefits

90 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.

91 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

92 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.

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

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

95 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.

96 The liabilities include the current service costs, the interest costs and actuarial gains and losses for 2010 less benefit payments made and where applicable, plan participants contributions.

2.10.4: Other Long-Term Employee Benefits

97 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.

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

2.10.5: Actuarial Valuations of Post Employment and Other Separation Related Benefits

99 Liabilities arising from post employment benefits and other long-term employee benefits i.e. accrued unused annual leave, are determined by consulting actuaries using the Projected Unit Credit Method. These employee benefits are established for those staff members who are entitled to such benefits under the IMO Staff Regulations and Staff Rules. Actuarial valuations are undertaken every two years, the most recent being completed at 31 December 2009.

100 Post-employment benefits and unused accrued annual leave liabilities which are calculated by actuaries (based on census data as of 1 January 2010) totalled £22,208,887 as at 31 December 2010. In the 2010 valuation, the actuaries estimated that IMO’s defined benefit obligations totalled £21,692,841, none of which relates to actuarial gains or losses. The estimate made has been revised when arriving at the year-end liability by substituting

actual movements for estimated movements where the former are available; for example, the ASHI contributions in the year estimated in the actuarial report were £432,216 and the actual payments amounted to £336,521.

2.10.5.1: Actuarial Assumptions and Methods

101 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 2010 valuation, the assumptions used are as described in the table below. These assumptions adopted for the 2010 actuarial valuation have not been amended from those used in determining the 1 January 2010 balance, and consequently have not resulted in any changes in the post-employment and unused accrued annual leave benefits liabilities.

102 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.

103 The following assumptions have been used to determine the value of post-employment and accrued unused annual leave employee liabilities for IMO as at 31 December 2010.

GENERAL	
Baseline Discount Rate	5.50 percent as of December 31,2008 6.00 percent as of December 31.2009
Accounting Expected Return on Assets	Non-applicable for the IMO currently
Mortality	Pre-retirement mortality: increases according to age. As an indication, age 55 => Male 0.26% Female 0.11% Post-retirement mortality: increases according to age, as per rates of death at 31 December 2007 of the United Nations Joint Staff Pension Fund. As an indication, age 65 => Male retirees and spouses 0.41% Female retirees and spouses 0.46%)
Disability Incidence	None assumed
Withdrawal Rates	Vary according to age and gender increasing after the age of 60, based on tables from the 31 December 2009 Actuarial valuation of UNJSPF
Retirement Rates	Hired prior to 1 January 1990: Vary according to age, gender and years of service with higher probability of retirement for staff age 60 and up Hired after 1 January 1990: Vary according to age, gender and years of service with higher probability of retirement for staff age 62 and up For consistency, all rates are based on tables from the 31 December 2009 Actuarial valuation of UNJSPF
Assumptions used in valuing obligations under the ASHI plan	
Baseline healthcare cost trend rates	The rate of increase in employer claim payments for 2010 is 6% with this rate of increase falling by 0.088% each year thereafter
Marital Status	Percentage married at retirement: 60% of future retirees are assumed to be married at retirement and elect coverage for their spouse Age difference of spouses: For future retirees with spouses, males are assumed to be three years older than females; for spouses of current retirees, actual reported spouse ages are used.
Plan Participation	95% of active plan participants who are expected to meet the eligibility requirements for ASHI are assumed to participate in the plan. It is assumed that, once elected, coverage will not be dropped. Current and future retirees are assumed to continue their present coverage
Aging Assumption	The aging assumption rate for those under 65 is 3.5% decreasing at a 0.5% rate every five-year period from the age of 65.

Assumptions used in valuing obligations under the ASHI plan (cont.)	
Plan participant contribution increases	Future contributions are assumed to increase at the assumed healthcare cost trend rates
Claim cost development	Vanbreda: Age 65 per capita claim costs were developed based on 2007,2008 and 2009 paid claim experience for retirees, adjusted for trend and aging. The clam costs include a provision for administrative purposes
Assumptions used in valuing obligations under the repatriation and annual leave plans	
Salary Scale	The UN Salary Scales increase typically at a 3% per annum
Assumptions used in valuing obligations under the repatriation plan	
Marital Status	Percentage married upon separation from service: 60% of employees are assumed to be married
Plan participation	It is assumed that all professional staff with international status are eligible for repatriation benefits and will receive them upon separation from service
Repatriation travel costs	Are expected to increase 4% in future years
Assumptions used in valuing obligations under the annual leave plan	
Plan participation	It is assumed that all staff are eligible for these benefits and will receive them upon separation from service
Annual leave projection	Annual leave balance upon separation from service was projected to be equal to a staff member's current annual leave balance as of 1 January 2010 plus additional days of annual leave earned and not taken after that date. Annual leave balances were assumed to increase at the following annual rates: - 1 year of service: 15% - 2-6 years of service: 6.5%

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

2.10.5.2: Reconciliation of Defined Benefit Obligation

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
	GBP			
Defined Benefit Obligation as at 31 December 2009	**-**	**-**	**-**	**-**
Change in accounting method	17,146,080	3,090,312	1,345,248	21,581,640
Restated balance as at 01 January 2010	**17,146,080**	**3,090,312**	**1,345,248**	**21,581,640**
Service cost for 2010	458,136	140,616	137,376	736,128
Interest cost for 2010	1,016,064	172,368	73,224	1,261,656
Actual gross benefit payments for 2010	(336,521)	(97,319)	(170,506)	(604,346)
Exchange rate movements	(608,580)	(109,863)	(47,748)	(766,191)
Defined Benefit Obligation as at 31 December 2010	**17,675,179**	**3,196,114**	**1,337,594**	**22,208,887**

2.10.5.3: Annual Expense for Calendar Year 2010

IMO	**After-Service Health Insurance Plan**	**Repatriation Benefit Plan**	**Accrued Annual Leave Plan**	**Total**
	GBP			
Service cost	458,136	140,616	137,376	736,128
Interest cost	1,016,064	172,368	73,224	1,261,656
Total Expense recognized in 2010	**1,474,200**	**312,984**	**210,600**	**1,997,784**

105 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 position and that of the Consolidated.

106 The actuarial assumptions did not change in 2010, therefore no actuarial gains and/or losses were generated in 2010.

2.10.5.4: Sensitivity Analysis

107 The obligations were valued based on a discount rate of six percent as of 31 December 2009. For comparison purposes, the table below shows the percentage change due to a one percent change in the discount rate as of 31 December 2009.

	After Service Health Insurance Plan	**Repatriation Benefit Plan**	**Accrued Annual Leave Plan**
	%		
%+1	15% decrease	6% decrease	4% decrease
%-1	18% increase	7% increase	5% increase

108 Two of the principal assumptions in the valuation of the ASHI plan 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) the rate at which medical costs are expected to increase in the future.

109 A sensitivity analysis was undertaken to determine the impact of future healthcare cost increases. The change in the ASHI obligation due to a one percent change in the trend rate is presented below.

	1% increase 2010	**1% decrease 2010**
Effect on the aggregate of the service cost and interest cost	319,464	(248,832)
Effect on defined benefit obligation	3,245,184	(2,604,312)

2.10.5.5: Expected Costs during 2011

110 The expected contribution of IMO in 2011 to the defined benefits plans is £640,600 which is determined based on actual benefit payments for the year 2010 allowing for inflation.

2.10.6: United Nations Joint Staff Pension Fund

111 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. 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.

112 The actuarial method adopted for the UNJSPF is the Open Group Aggregate method to determine whether the present and estimated future assets of the Fund will be sufficient to meet its present and estimated future liabilities, using various sets of assumptions as to future economic and demographic developments. The actuarial study is carried out at least once every three years; a review of the 2010 annual report of the UNJSPF reveals that an actuarial valuation has been carried out every two years from as early as 1997. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the United Nations General Assembly on the audit every two years. The most recent actuarial valuation carried out was as at 31 December 2009.

113 The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

114 IMO's financial obligation to the UNJSPF consists of its mandated contribution, at the same uniform rate as specified by the Regulations of the Fund (7.9 percent for participants and 15.8 percent for member organizations) which is established by United Nations General Assembly, together with any share of any actuarial deficiency payments under Article 26 of the Regulation of the Pension Fund.

115 Such deficiency payments are payable only if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date. At the time of this report, the United Nations General Assembly had not invoked this provision.

116 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 other participating organizations in the plan. IMO, as well as other participating organizations, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has accounted for this plan as if it were a defined contribution plan in line with IPSAS 25 - 'Employee Benefits'.

117 During 2010, total payments to the UNJSPF amounted to £5,086,648. The Organization's contributions on behalf of staff members amounted to £3,387,742. Allowing for inflation, contributions due in 2011 are estimated to be £3,591,006.

Note 2.11: Leases

2.11.1: Finance Leases

118 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	
	2010	Opening Balance 01.01.2010 (restated)	2010	Opening Balance 01.01.2010 (restated)
	GBP		GBP	
Current	60,088	67,130	60,088	67,130
Non-current	89,527	138,318	89,527	138,318
Total Finance Lease Liabilities	**149,615**	**205,448**	**149,615**	**205,448**

119 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	67,851	7,763	60,088	67,851	7,763	60,088
One to five years	93,258	3,731	89,527	93,258	3,731	89,527
Total Finance Lease liabilities	**161,109**	**11,494**	**149,615**	**161,109**	**11,494**	**149,615**

120 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

121 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	
	2010	Opening Balance 01.01.2010 (restated)	2010	Opening Balance 01.01.2010 (restated)
	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	19,132,021	20,327,772	19,132,021	20,327,772
Total future minimum lease payments - operating leases	**26,306,529**	**27,502,280**	**26,306,529**	**27,502,280**

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

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

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

125 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;

- **Under-letting:** When under-letting the building, the Organization must first offer to underlet to the landlord, the United Kingdom (UK) government;

- **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 01.01.2010 (restated)	Surplus for the Period	Closing Balance 31.12.2010
		GBP	
General Fund	(14,989,349)	716,350	(14,272,999)
Working Capital Fund	2,006,008	-	2,006,008
Trading Fund	3,812,807	3,059,907	6,872,714
Termination Benefit Fund	1,963,805	539,773	2,503,578
Technical Co-operation Fund	5,434,525	(631,425)	4,803,100
Headquarters Capital Fund	3,102,054	(30,754)	3,071,300
Training and Development Fund	273,169	14,876	288,045
Bilateral Operations and Multi-Donor Trust Funds			
Djibouti Code of Conduct Trust Fund	8,485,168	(284,731)	8,200,437
Republic of Korea Trust Fund	1,050,175	234,414	1,284,589
International Maritime Security Trust (IMST) Fund	744,565	139,371	883,936
IMO Malacca and Singapore Straits Trust Fund	619,084	42,983	662,067
Model Courses Development Trust Fund	587,798	66,263	654,061
United Kingdom Trust Fund	439,042	158,639	597,681
Other Bilateral Operations and Multi-Donor Trust Funds[1]	2,720,568	192,593	2,913,161
Total	**16,249,419**	**4,218,259**	**20,467,678**

Consolidated	Opening Balance 01.01.10	Surplus for the Period	Closing Balance 31.12.10
		GBP	
IMO	16,249,419	4,218,259	20,467,678
WMU	2,508,655	(196,974)	2,311,681
IMLI	2,159,156	64,798	2,223,594
Total	**20,917,230**	**4,086,083**	**25,003,313**

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

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

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

128 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.

129 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.

130 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.

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

132 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.

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

134 Trust Funds were established to account for the expenditures related to the activities financed from the respective donors.

135 Fund balances represent the unexpended portion of contributions that are intended to be utilized in future operational requirements of the Programme. These are IMO's residual interest in the assets after deducting all its liabilities.

NOTE 3: REVENUE

Note 3.1: Assessed Contributions

136 The Organization's ten largest contributors to assessed contributions in 2010 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	5,368,144	19.34
2	Liberia	2,457,631	8.86
3	Bahamas	1,377,596	4.96
4	Marshall Islands	1,333,494	4.80
5	United Kingdom	1,332,569	4.80
6	Singapore	1,205,712	4.34
7	Greece	1,139,274	4.10
8	Malta	967,096	3.48
9	Japan	938,267	3.38
10	China	913,056	3.29
	Total	**17,032,839**	**61.35**

Note 3.2: Donor Contributions

137 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.

138 The Organization's ten largest contributors to donor revenue in 2010 are shown below:

	IMO	Amount GBP	% of total donor revenue
1	World Bank	2,003,244	29.32
2	European Commission	961,542	14.07
3	Government of the Republic of Korea	770,455	11.28
4	United Nations Environment Programme	725,587	10.62
5	United Nations Development Programme	582,166	8.52
6	Government of the United States	315,705	4.62
7	Government of Germany	225,187	3.30
8	Government of the United Kingdom	165,000	2.41
9	Government of Norway	148,231	2.17
10	Government of Sweden	113,246	1.66
	Total	**6,010,363**	**87.97**

139 The consolidated group's ten largest contributors to donor revenue in 2010 are shown below:

	Consolidated	Amount GBP	% of total donor revenue
1	Government of Sweden	2,202,651	22.77
2	World Bank	2,003,244	20.71
3	European Commission	961,542	9.94
4	Government of the Republic of Korea	770,455	7.96
5	United Nations Environment Programme	725,587	7.50
6	United Nations Development Programme	582,166	6.02
7	Government of the United	315,705	3.26
8	Nippon Foundation	278,336	2.88
9	Government of Germany	225,187	2.33
10	Government of the United Kingdom	165,000	1.71
	Total	**8,229,873**	**85.08**

Note 3.3: Commercial Activities

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

	IMO 2010	Consolidated 2010
	GBP	**GBP**
Publication sales	12,749,140	12,749,140
Cafeteria sales	604,563	636,236
Sub-letting and letting of conference facilities & other	86,973	682,922
Total	**13,440,676**	**14,068,298**

Note 3.4: Fellowships

141 Both WMU and the IMLI receive funds as fellowships to support students. The five largest aggregate contributors are listed below:

		IMO 2010	Consolidated 2010
		GBP	**GBP**
1	Ship & Ocean Foundation	-	547,058
2	Nippon Foundation	-	170,915
3	International Transport Federation	-	110,058
4	Government of the United Kingdom	-	54,083
5	Lloyds Register Educational Trust	-	51,274
	Total		**933,388**

Note 3.5: Other Revenue

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

	IMO 2010	Consolidated 2010
	GBP	**GBP**
Interest earned on investment of funds	162,832	226,241
Revenue from non-commercial activities	-	207,619
Other revenue	11,228	26,680
Total	**174,060**	**460,540**

NOTE 4: EXPENSES

		IMO 2010	Consolidated 2010
		GBP	**GBP**
4.1	**Staff and other personnel costs**		
	Professional and General Service staff, experts	23,936,343	27,305,773
	Recruitment and repatriation	1,982,463	2,013,585
	Consultants	2,111,818	2,252,841
	Temporary assistance	998,539	1,021,574
	Meetings personnel (Interpreters, translators, temporary employees)	1,146,664	1,146,664
	Total staff and other personnel costs	**30,175,827**	**33,740,437**
4.2	**Travel**		
	Fare	937,007	1,144,542
	Daily Subsistence Allowance (DSA) and other expenses	923,032	987,955
	Total travel	**1,860,039**	**2,132,497**
4.3	**Supplies, consumables and other running costs**		
	Office supplies and consumables	124,467	194,622
	Telecommunications and information technology	920,960	952,519
	Rent, rates and insurance	1,392,680	1,439,480
	Utilities	380,798	437,184
	Medical costs	23,740	23,740
	Library books, magazines, subscriptions	53,441	150,671
	Hospitality	23,340	60,944
	Vehicle, local transport and hotel accommodation	66,840	78,365
	Postage, telephone and freight	450,889	511,790
	Equipment, furniture and local procurement	1,107,487	1,129,253
	Building maintenance	633,489	640,066
	Other operational costs	-	101,260
	Total supplies, consumables and other running costs	**5,178,131**	**5,719,894**

		IMO 2010	Consolidated 2010
4.4	**Costs related to trading activities**		
	Publications	1,139,312	1,140,884
	Model courses	24,169	24,169
	Loss/(Gain) on Physical Inventory	(2,798)	(2,798)
	Publications issued free of charge	38,506	38,506
	Provision for return of obsolete publications	102,286	102,286
	Electronic publishing (IMO/Vega)	182,583	182,583
	Catering food and supplies	334,425	383,065
	Total costs related to trading activities	**1,818,483**	**1,868,695**
4.5	**Outsourced services**		
	Security services	382,498	404,707
	Cleaning services	327,351	407,127
	Telecommunications/IT related services	-	33,898
	Leases	22,476	22,476
	Building refurbishment	-	-
	Sub-contract delivery of Technical Co-operation activities	236,930	236,930
	Total outsourced services	**969,255**	**1,105,138**
4.6	**Training and development**		
	Staff training	48,787	59,300
	Fellowships	587,343	587,343
	Group training including participant travel	1,706,357	1,049,377
	Student costs (WMU and IMLI)	**-**	1,459,561
	Total training and development	**2,342,487**	**3,155,581**
4.7	**Currency exchange differences (gains)**	**(316,069)**	**(428,648)**
4.8	**Depreciation and amortization**		
	Depreciation of property, plant and equipment	423,728	493,922
	Loss on disposal of property, plant and equipment	478	478
	Amortization of intangible assets	328,293	339,189
	Impairment of IMO publications	13,355	13,355
	Total depreciation and amortization	**765,854**	**846,944**
4.9	**Other expenses**		
	Jointly financed UN bodies	347,665	347,665
	IMO News and publicity	47,407	70,338
	Bank charges/investment manager and custodian fees	194,877	210,066
	External audit	100,537	137,433
	Other miscellaneous expenses	493,233	515,895
	Total other expenses	**1,183,719**	**1,281,397**
	Total expenses	**43,977,726**	**49,421,935**

143 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, WMU or IMLI. 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.

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

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

146 Training and development includes the cost of staff training incurred under the regular budget and the Training and Development Fund, the fellowship and group training costs incurred under the Technical Co-operation Fund and various donor trust Funds and student costs incurred under WMU and IMLI programmes. The student costs include student travel and field trips, stipends, student allowances, insurance, posting of student books, rents and other student costs.

147 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 EXPENDITURE

148 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.

149 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 (a commitment accounting) basis.

150 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.

151 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.

152 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.

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

154 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.

155 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 2010 is presented below.

156 Budget amounts have been presented on a functional classification basis in accordance with the approved budgets for the 2010-2011 biennium which present a breakdown of the budget by year for purposes of the above comparison. The amount of surplus per Statement Va (IMO 2010) of £1,730,509 has been reconciled to the net increase in cash and cash equivalents in Statement IV (IMO 2010) of £3,428,599. 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 2010 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)**	**1,730,509**	**-**	**-**	**1,730,509**
Basis differences	(a)	(1,041,237)	-	611,120	(430,117)
Presentation differences	(b)	2,128,207	-	-	2,128,207
Entity differences	(c)	-	-	-	-
Total Differences	**B=a+b+c**	**1,086,970**	**-**	**611,120**	**1,698,090**
Actual Amounts in the Statement of Cash Flow (Statement IV)	**(C=A+B)**	**2,817,479**	**-**	**611,120**	**3,428,599**

157 The following table which shows a surplus of £1,910,270 as per consolidated Statement Vb, and which includes WMU and IMLI surpluses at the end of December 2010, is reconciled to the net increase of £5,069,832 in cash and cash equivalents as per consolidated Statement IV. It should be noted that the amount of £3,306,884 (mostly related to WMU & IMLI) represents presentation differences, due mainly to the fact that IMLI has not provided a reconciliation of its Statements IV and V for 2010, while WMU reconciled the closing balance of its Statement V to its opening amount instead of to its closing balance per Statement IV. Additionally, WMU's reconciliation figures presented in Euros, are converted to GBP and £282,795 and (£340,116) are included under basis and presentation differences respectively. The balance amount of £720,096, needed to arrive at the closing amount of £5,069,832 per consolidated Statement IV, is included under presentation differences.

Adjustments Pertaining to the Cash Flows from:

		Operating Activities	Financing Activities	Investing Activities	Total
		GBP CONSOLIDATED			
Actual Amounts on Comparable Basis (Statement Vb)	**(A)**	**1,910,270**	**-**	**-**	**1,910,270**
Basis differences	(a)	(783,140)	-	635,818	(147,322)
Presentation differences	(b)	3,306,884	-	-	3,306,884
Entity differences	(c)	-	-	-	-
Total Differences	**B=a+b+c**	**2,523,744**	**-**	**635,818**	**3,159,562**
Actual Amounts in the Statement of Cash Flow (Statement IV)	**(C=A+B)**	**4,434,014**	**-**	**635,818**	**5,069,832**

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	Technical Co-operation and Extra-budgetary Activities	Trading and Business Activities	Elimination	Total IMO
ASSETS					
Current assets					
Cash and cash equivalents	12,678,770	22,531,260	8,852,108	-	44,062,138
Contributions receivable	252,238	1,911,906	-	-	2,164,144
Inventories	-	-	687,534	-	687,534
Advances to sub-contractors	(2,026)	1,196,239	-	-	1,194,213
Inter-segment receivables	2,311,738	515,086	694,852	(3,521,676)	-
Other receivables					
Relating to exchange transactions	1,255,645	360,847	119,230	-	1,735,722
Relating to non-exchange transactions	-	-	-	-	-
Total Current Assets	**16,496,365**	**26,515,338**	**10,353,724**	**(3,521,676)**	**49,843,751**
Non-current assets					
Property, plant and equipment	666,912	75,048	-	-	741,960
Intangible assets	632,050	-	181,891	-	813,941
Total Non-Current Assets	**1,298,962**	**75,048**	**181,891**	**-**	**1,555,901**
TOTAL ASSETS	**17,795,327**	**26,590,386**	**10,535,615**	**(3,521,676)**	**51,399,652**
LIABILITIES					
Current liabilities					
Payables and accruals					
Relating to exchange transactions	(1,711,880)	(787,826)	(625,788)	-	(3,125,494)
Relating to non-exchange transactions	(1,808,157)	(3,460,444)	-	-	(5,268,601)
Provisions and warranties	-	-	(98,896)	-	(98,896)
Inter-segment payables	(1,394,097)	(876,754)	(1,229,825)	3,521,676	-
Short-term employee benefits	(49,588)	(9,761)	-	-	(59,349)
Finance lease liabilities	(60,088)	-	-	-	(60,088)
Total Current Liabilities	**(5,023,810)**	**(5,155,785)**	**(1,954,509)**	**3,521,676**	**(8,612,428)**
Non-Current Liabilities					
Long-term employee benefits	(19,086,058)	(1,435,569)	(1,708,392)	-	(22,230,019)
Staff Provident Fund	-	-	-	-	-
Finance lease liabilities	(89,527)	-	-	-	(89,527)
Total Non-Current Liabilities	**(19,175,585)**	**(1,435,569)**	**(1,708,392)**	-	**(22,319,546)**
TOTAL LIABILITIES	**(24,199,395)**	**(6,591,354)**	**(3,662,901)**	**3,521,676**	**(30,931,974)**
NET ASSETS	**(6,404,068)**	**19,999,032**	**6,872,714**	-	**20,467,678**
Fund balances & reserves	(7,644,313)	20,080,925	3,812,807	-	16,249,419
Surplus for the year	1,240,245	(81,893)	3,059,907	-	4,218,259
TOTAL FUND BALANCES AND RESERVES	**(6,404,068)**	**19,999,032**	**6,872,714**	-	**20,467,678**

Note 6.1.2: Statement of Financial Position by Segment – Consolidated

	Core Programme Management	Technical Co-operation and Extra-budgetary Activities	Trading and Business Activities	Education and Research	Elimination	Total Consolidated
			GBP			
ASSETS						
Current assets						
Cash and cash equivalents	12,678,770	22,531,260	8,852,108	7,244,942	-	51,307,080
Contributions receivable	252,238	1,911,906	-	56,458	-	2,220,602
Inventories	-	-	687,534	36,330	-	723,864
Advances to sub-contractors	(2,026)	1,196,239	-	-	-	1,194,213
Inter-segment receivables	2,311,738	515,086	694,852	-	(3,521,676)	-
Other receivables						
Relating to exchange transactions	1,255,645	360,847	119,230	604,037	-	2,339,759
Relating to non-exchange transactions	-	-	-	255	-	255
Total Current Assets	**16,496,365**	**26,515,338**	**10,353,724**	**7,942,022**	**(3,521,676)**	**57,785,773**
Non-current assets						
Property, plant and equipment	666,912	75,048	-	146,889	-	888,849
Intangible assets	632,050	-	181,891	1,485	-	815,426
Total Non-Current Assets	**1,298,962**	**75,048**	**181,891**	**148,374**	**-**	**1,704,275**
TOTAL ASSETS	**17,795,327**	**26,590,386**	**10,535,615**	**8,090,396**	**(3,521,676)**	**59,490,048**
LIABILITIES						
Current liabilities						
Payables and accruals						
Relating to exchange transactions	(1,711,880)	(787,826)	(625,788)	(649,627)	-	(3,775,121)
Relating to non-exchange transactions	(1,808,157)	(3,460,444)	-	(2,574,123)	108,474	(7,734,250)
Provisions and warranties	-	-	(98,896)	-	-	(98,896)
Inter-segment payables	(1,394,097)	(897,754)	(1,229,825)	-	3,521,676	-
Short-term employee benefits	(49,588)	(9,761)	-	(157,249)	-	(216,598)
Finance lease liabilities	(60,088)	-	-	-	-	(60,088)
Total Current Liabilities	**(5,023,810)**	**(5,155,785)**	**(1,954,509)**	**(3,380,999)**	**3,630,150**	**(11,884,953)**
Non-Current Liabilities						
Long-term employee benefits	(19,086,058)	(1,435,569)	(1,708,392)	(282,236)	-	(22,512,255)
Finance lease liabilities	(89,527)	-	-	-	-	(89,527)
Total Non-Current Liabilities	**(19,175,585)**	**(1,435,569)**	**(1,708,392)**	**(282,236)**	-	**(22,601,782)**
TOTAL LIABILITIES	**(24,199,395)**	**(6,591,354)**	**(3,662,901)**	**(3,663,235)**	**3,630,150**	**(34,486,735)**
NET ASSETS	**(6,404,068)**	**19,999,032**	**6,872,714**	**4,427,161**	108,474	**25,003,313**
FUND BALANCES AND RESERVES						
Fund balances & reserves	(7,644,313)	20,080,925	3,812,807	4,561,249	106,562	20,917,230
Surplus for the year	1,240,245	(81,893)	3,059,907	(134,088)	1,912	4,086,083
TOTAL FUND BALANCES AND RESERVES	**(6,404,068)**	**19,999,032**	**6,872,714**	**4,427,161**	108,474	**25,003,313**

Note 6.2: Segmental Statements of Financial Performance

Note 6.2.1: Statement of Financial Performance by Segment – IMO

	Core Programme Management	Technical Co-operation and Extra-budgetary Activities	Trading and Business Activities	Elimination	Total IMO
Revenue					
Assessed contributions	27,748,500	-	-	-	27,748,500
Donor contributions	-	6,886,769	-	(54,020)	6,832,749
Commercial sales	86,972	1,525	13,352,179	-	13,440,676
Fellowships	-	-	-	-	-
Other revenue	161,247	(14,267)	27,080	-	174,060
Support costs earned	1,006,560	-	-	(1,006,560)	-
Inter-segment transfers	1,915,246	3,426,438	(4,568,584)	(773,100)	-
TOTAL REVENUE	**30,918,525**	**10,300,465**	**8,810,675**	**(1,833,680)**	**48,195,985**
Expenditure					
Staff and other personnel costs	(23,482,018)	(4,707,653)	(1,986,156)	-	(30,175,827)
Travel	(327,235)	(1,421,607)	(111,197)	-	(1,860,039)
Supplies, consumables and other running costs	(3,639,520)	(972,586)	(566,025)	-	(5,178,131)
Cost of sales	-	-	(1,872,503)	54,020	(1,818,483)
Outsourced services	(659,621)	(23,858)	(285,776)	-	(969,255)
Training and development	(48,787)	(2,293,700)	-	-	(2,342,487)
Currency exchange differences	103,084	185,969	27,016	-	316,069
Support costs charged	-	(392,585)	(613,975)	1,006,560	-
Depreciation and amortization	(622,715)	(24,628)	(118,511)	-	(765,854)
Other expenses	(228,368)	(731,710)	(223,641)	-	(1,183,719)
Inter-segment transfers	(773,100)	-	-	773,100	-
TOTAL EXPENDITURE	**(29,678,280)**	**(10,382,358)**	**(5,750,768)**	**1,833,680**	**(43,977,726)**
SURPLUS FOR THE YEAR	**1,240,245**	**(81,893)**	**3,059,907**	**-**	**4,218,259**

Note 6.2.2: Statement of Financial Performance by Segment – Consolidated

	Core Programme Management	Technical Co-operation and Extra-budgetary Activities	Trading and Business Activities	Education and Research	Elimination	Total Consolidated
			GBP			
Revenue						
Assessed contributions	27,748,500	-	-	-	-	27,748,500
Donor contributions	-	6,886,769	-	3,103,780	(316,667)	9,673,882
Commercial sales	86,972	1,525	13,352,179	627,622	-	14,068,298
Fellowships	-	-	-	1,772,510	(215,712)	1,556,798
Other revenue	161,247	(14,267)	27,080	301,435	(14,955)	460,540
Support costs earned	1,006,560	-	-	-	(1,006,560)	-
Inter-segment transfers	1,915,246	3,426,438	(4,568,584)	-	(773,100)	-
TOTAL REVENUE	**30,918,525**	**10,300,465**	**8,810,675**	**5,805,347**	**(2,326,994)**	**53,508,018**
Expenditure						
Staff and other personnel costs	(23,482,018)	(4,707,653)	(1,986,156)	(3,564,610)	-	(33,740,437)
Travel	(327,235)	(1,421,607)	(111,197)	(272,458)	-	(2,132,497)
Supplies, consumables and other running costs	(3,639,520)	(972,586)	(566,025)	(541,763)	-	(5,719,894)
Cost of sales	-	-	(1,872,503)	(50,212)	54,020	(1,868,695)
Outsourced services	(659,621)	(23,858)	(285,776)	(135,883)	-	(1,105,138)
Training and development	(48,787)	(2,293,700)	-	(1,308,320)	495,226	(3,155,581)
Currency exchange differences	103,084	185,969	27,016	112,579	-	428,648
Support costs charged	-	(392,585)	(613,975)	-	1,006,560	-
Depreciation and amortization	(622,715)	(24,628)	(118,511)	(81,090)	-	(846,944)
Other expenses	(228,368)	(731,710)	(223,641)	(97,678)	-	(1,281,397)
Inter-segment transfers	(773,100)	-	-	-	773,100	-
TOTAL EXPENDITURE	**(29,678,280)**	**(10,382,358)**	**(5,750,768)**	**(5,939,435)**	**2,328,906**	**(49,421,935)**
SURPLUS FOR THE YEAR	**1,240,245**	**(81,893)**	**3,059,907**	**(134,088)**	**1,912**	**4,086,083**

158 Some internal activities result in accounting transactions which create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above statements to accurately present these financial statements, the most significant examples of which are the Council-mandated transfers from the Trading Fund to other organizational funds. The aggregate amount was £4,568,584, of which £3,426,438 was to the Technical Co-operation Fund, £1,073,617 was to the General Fund and £68,529 was to the Training and Development Fund. In addition, there are support costs totalling £1,006,560 charged on extra-budgetary activities to reimburse costs incurred by the Core Programme. In the consolidated figures, transfers totalling £493,314 between IMO and WMU and £163,667 from IMO to IMLI along with related asset and liability balances have also been shown and eliminated.

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

NOTE 7: COMMITMENTS AND CONTINGENCIES

Note 7.1: Commitments

160 At 31 December 2010, IMO had commitments for goods and services contracted but not delivered as follows:

	2010
	GBP
Purchase of services including consultancy	1,035,111
Total open commitments	**1,035,111**

161 Under IPSAS 1 on accrual accounting and on the basis of the delivery principle, commitments for future expenses are not recognized in the financial statements. Such commitments will be settled from the transfer of budgetary provision for committed items from 2010 into 2011 under Financial Regulation 4.3.

Note 7.2: Legal or Contingent Liabilities

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

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

163 Financial regulation 12.3 provides that “The Secretary-General may make such ex gratia payments as he deems to be necessary in the interests of the Organization, provided that a statement of such payments shall be submitted to the Assembly with the financial statements.” During 2010, no ex-gratia payments were made relating to staff termination, medical-related bills and service-incurred losses suffered by staff.

164 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 2010, cash losses, irrecoverable receivables and advances to staff and suppliers resulted in write-offs to the total amount of £10,617. In addition, write-offs as a result of the loss or obsolescence of inventory totalled £13,355.

165 There were no cases of fraud or presumptive fraud in 2010.

NOTE 9: RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

Note 9.1: Key Management Personnel

IMO — **GBP**

Number of individuals	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration 2010	Outstanding Advances against entitlements 31.12.2010	Outstanding Loans 31.12.2010
7	857,755	34,280	191,071	1,083,106	-	-

Consolidated — **GBP**

Number of individuals	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration 2010	Outstanding Advances against entitlements 31.12.2010	Outstanding Loans 31.12.2010
9	1,184,213	51,513	248,292	1,484,018	-	-

166 Key management personnel of IMO are the Secretary-General and the 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.

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

168 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 £34,280 for alternative pension arrangements.

Note 9.2: Related Parties

169 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.

170 During 2010, IMO provided £493,314 and £163,667 in fellowship and other funding to WMU and IMLI respectively under its Technical Co-operation Programme, this amount being reflected in expenditure for IMO and removed from group revenue and expenditure on consolidation. Current liabilities of IMLI towards IMO totalling £108,475 and £112,835 for 2010 and 1 January 2010 (restated) were also eliminated.

NOTE 10: OPENING BALANCES ADJUSTMENTS

IMO	31.12.2009 (Audited)	Categorization Adjustment	IPSAS Adjustments	Opening Balance 01.01.2010 (restated)
	GBP			
ASSETS				
Current assets				
Cash and cash equivalents	41,152,039	(518,500)	-	40,633,539
Contributions receivable	845,512	-	2,949,451	3,794,963
Inventories	-	-	582,622	582,622
Advances to sub-contractors	-	1,474,309	-	1,474,309
Other receivables	7,797,664	(5,290,950)	(178,870)	2,327,844
Total current assets	**49,795,215**	**(4,335,141)**	**3,353,203**	**48,813,277**
Non-current assets				
Property, plant and equipment	-	-	802,529	802,529
Intangible assets	-	-	494,883	494,883
Intangible assets - in construction	-	-	399,390	399,390
Total non-current assets	**-**	**-**	**1,696,802**	**1,696,802**
TOTAL ASSETS	**49,795,215**	**(4,335,141)**	**5,050,005**	**50,510,079**
LIABILITIES				
Current liabilities				
Payables and accruals	(12,194,566)	4,335,141	(5,143,759)	(13,003,184)
Provisions and warranties	-	-	(78,900)	(78,900)
Employee benefits	-	-	(57,464)	(57,464)
Finance lease liabilities	-	-	(67,130)	(67,130)
Total current liabilities	**(12,194,566)**	**4,335,141**	**(5,347,253)**	**(13,206,678)**
Non-current liabilities				
Employee benefits	-	-	(20,915,664)	(20,915,664)
Finance lease liabilities	-	-	(138,318)	(138,318)
Total non-current liabilities	**-**	**-**	**(21,053,982)**	**(21,053,982)**
TOTAL LIABILITIES	**(12,194,566)**	**4,335,141**	**(26,401,235)**	**(34,260,660)**
NET ASSETS	**37,600,649**	**-**	**(21,351,230)**	**16,249,419**
FUND BALANCES AND RESERVES				
Fund balances and reserves	37,600,649	-	(21,351,230)	16,249,419
TOTAL FUND BALANCES AND RESERVES	**37,600,649**	**-**	**(21,351,230)**	**16,249,419**

Consolidated	31.12.2009 (Audited)	IPSAS Adjustments	Opening Balance 01.01.2010 (restated)
		GBP	
ASSETS			
Current assets			
Cash and cash equivalents	46,237,248	-	46,237,248
Contributions receivable	936,068	2,949,451	3,885,519
Inventories	-	599,899	599,899
Advances to sub-contractors	1,474,309	-	1,474,309
Other receivables	3,052,642	(177,425)	2,875,217
Total current assets	**51,700,267**	**3,371,925**	**55,072,192**
Non-current assets			
Property, plant and equipment	47,356	885,922	933,278
Intangible assets	-	497,876	497,876
Intangible assets - in construction	-	399,390	399,390
Total non-current assets	**47,356**	**1,783,188**	**1,830,544**
TOTAL ASSETS	**51,747,623**	**5,155,113**	**56,902,736**
LIABILITIES			
Current liabilities			
Payables and accruals	(9,075,063)	(5,143,760)	(14,218,823)
Provisions and warranties	-	(78,900)	(78,900)
Employee benefits	(23,191)	(232,644)	(255,835)
Finance lease liabilities	-	(67,130)	(67,130)
Total current liabilities	**(9,098,254)**	**(5,522,434)**	**(14,620,688)**
Non-current liabilities			
Employee benefits	-	(21,226,500)	(21,226,500)
Finance lease liabilities	-	(138,318)	(138,318)
Total non-current liabilities	**-**	**(21,364,818)**	**(21,364,818)**
TOTAL LIABILITIES	**(9,098,254)**	**(26,887,252)**	**(35,985,506)**
NET ASSETS	**42,649,369**	**(21,732,139)**	**20,917,230**
FUND BALANCES AND RESERVES			
Fund balances and reserves	42,649,369	(21,732,139)	20,917,230
TOTAL FUND BALANCES AND RESERVES	**42,649,369**	**(21,732,139)**	**20,917,230**

171 Opening balances represent the 2009 audited Statement of Assets, Liabilities, Reserves and Fund balances which have then been restated to incorporate adjustments made due to changes in accounting policies resulting from the move from UNSAS to IPSAS. Donor Fund adjustments previously reported in USD have been converted to GBP at the UN Operational Rate of Exchange applicable on 1 January 2010. Consolidated opening balance adjustments take into account adjustments made by WMU in adopting IPSAS from 1 January 2010. IMLI adopted IPSAS for the financial period ended 31 December 2009, and

consequently made no adjustments as a result of changes in accounting policy during the financial period to 31 December 2010.

172 Adjustments for accounting policy changes result in a net reduction in net assets/reserves of £21,351,230 for IMO, £21,732,139 for the consolidated group incorporating adjustments made by WMU, and pertain to the capitalization of property, plant and equipment; inventories and intangibles; changes in timing of revenue recognition from donors; recognition of allowances and provisions for receivables, inventories and revenue due to write-downs; adjustments relating to employee benefits liabilities; and recognition of liabilities arising under finance leases. The adjustments made by IMO are described in more detail below.

Note 10.1: Breakdown of Adjustments to Fund Balances

10.1.1 Recognition of Member States Assessment Contributions

173 To represent the “fair value” of arrears of Member State contributions which are subject to a formal payment plan these are discounted, based on the expected future cash-flows under that plan, unless the Member State is already in default on that plan; all other amounts due are held net of a 100% allowance, that is, at zero value. The result is a reduction in net assets/equity of £705,669.

10.1.2 Recognition of Inventory

174 The Organization’s publications stock falls under the category of inventory under IPSAS with a value based on weighted average cost being assigned to the opening balance, increasing the net assets/equity value by £582,622.

10.1.3 Recognition of Property, Plant and Equipment and Intangible Assets

175 Property, Plant and Equipment and intangible assets held by IMO at headquarters and its field offices in Ghana, Côte d'Ivoire, Kenya, the Philippines, Trinidad and Tobago and REMPEC (Malta) have been recognized in the financial statements for opening balances purposes.

		2010	
	IMO HQ	**Field Offices**	**Total**
		GBP	
Recognition of property, plant and equipment	758,188	44,341	802,529
Recognition of intangibles	494,883	-	494,883
Recognition of intangible assets in construction	399,390	-	399,390
Total property plant and equipment, intangibles and assets in construction	**1,652,461**	**44,341**	**1,696,802**

176 Intangible assets in construction represent the costs related to the implementation of SAP HR and Payroll which was underway at 1 January 2010 and went live on 1 April 2010.

10.1.4 Recognition of Donor Contributions

177 Amounts due to and from donors and reserve positions on donor funds have been adjusted to reflect the requirements of IPSAS 23 - 'Revenue from Non-Exchange

Transactions'. Contributions received, which are subject to a 'condition', as described in Note 1 have been shown as a liability, as are amounts due to be returned to donors following the completion of projects - both amounts were previously shown in reserves. Amounts due but not yet received from donors under binding agreements have been reflected as an asset, having not previously been shown - in this case the entire balance relates to a single long term project funded by the World Bank. The amendments are summarized below.

	GBP
Donor contributions subject to restrictions	3,655,120
Donor contributions subject to conditions	(4,878,517)
Funds payable to donor	(896,547)
Net effect on reserves	**(2,119,944)**

10.1.5 Recognition of Employee Benefits Liabilities

178 The recognition under IPSAS of employee costs, as they are earned rather than when they are paid, requires the inclusion of an opening liability reflecting entitlements earned but not paid. Employee benefits liabilities were recognised in the financial statements based on their valuation as at 1 January 2010. An actuarial estimation was carried out for post-employment benefits liabilities and other long term liabilities (i.e. accrued annual leave) for those staff members active as at 1 January 2010. The remaining balance of the opening employee benefits figure was estimated internally by the IMO. The effect of the employee benefits liabilities recognition was a reduction of £20,973,128 of the net assets/equity.

IMO	**2010**		
	Actuarial Valuation	**IMO Estimates**	**Total**
	GBP		
Total Employee Benefits Liabilities	**(20,815,625)**	**(157,503)**	**(20,973,128)**

10.1.6 De-Recognition of Unliquidated Obligations

179 Under IPSAS expenditure for goods and services is recognised on delivery, not on the funds being committed and consequently, liabilities relating to unliquidated obligations (ULO) are no longer recognised in the financial statements, resulting in an increase of reserves of £980,552.

10.1.7 Other Opening Balances Adjustments

180 In addition to the adjustments presented above, some liabilities have been adjusted to more appropriately reflect the IPSAS view of the opening liability to the Organization, most notably the amounts due to the Government of the United Kingdom in connection with the Headquarters refurbishment (£1,600,000); and due to UNDP through the Service Clearing Account (£167,121). The table below presents these and other IPSAS opening balances adjustments.

Description	Assets	Liabilities	Net Effect on Fund Balances 01.01.2010
		GBP	
Accounts receivable - adjustment to staff advances	(197,493)	-	(197,493)
Accounts receivable - recognition of finance lease pre-payments previously recognised as expense	18,623	-	18,623
Payables and accruals - adjustment to accruals	-	(1,600,000)	(1,600,000)
Payables and accruals - other	-	1,250,753	1,250,753
Provisions and warranties - establishment of warranty provision for returned publications	-	(78,900)	(78,900)
Finance lease liabilities - recognition of liabilities under finance lease previously not reported	-	(205,448)	(205,448)
Total other adjustments to fund balances	**(178,870)**	**(633,595)**	**(812,465)**

NOTE 11: EVENTS AFTER REPORTING DATE

181 IMO's reporting date is 31 December 2010. 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
(unaudited)

Name		Address
IMO	International Maritime Organization	4, Albert Embankment London SE1 7SR United Kingdom
General Counsel and Director, Legal Affairs and External Relations Division	Mrs. R.P. Balkin	4, Albert Embankment London SE1 7SR United Kingdom
Actuary	MERCER	Mercer Health & Benefits LLC 212 Carnegie Centre, 4^{th} Floor Princeton, NJ 08540-6236 USA
Principal Bankers	Barclays Corporate	Level 27 1,Churchill Place London E14 5HP United Kingdom
	NatWest Bank	P O Box 62641 2 ½ Devonshire Square London EC2P 2TA United Kingdom
External Auditor	Comptroller and Auditor General of India	Office of the Comptroller and Auditor General of India 9, Deen Dayal Upadhyaya Marg, New Delhi - 110124 India