

**INTERNATIONAL SEABED AUTHORITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

**(Expressed in United States Dollars)**

# International Seabed Authority

Index to the Financial Statements

31 December 2018

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Independent Auditor's Report	1 – 4
<b>Financial Statements</b>	
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Statement of Comparison of Budget to Actual Amounts	9 - 10
Notes to the Financial Statements	11 – 35



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## INDEPENDENT AUDITOR'S REPORT

To the Members of International Seabed Authority – General Administrative Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of International Seabed Authority – General Administrative Fund ("the Authority") which comprise the statement of financial position as at 31 December 2018, the statements of financial performance, changes in equity, cash flows and comparison of budget and actual amounts for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

#### Basis for Qualified Opinion

As at 31 December 2018, the Authority recorded a liability of \$1.405 million (2017: \$1.5 million) for its post-employment benefit obligation for after service health insurance at \$1.405 million (2017: \$1.5 million), using the present value method based on management's assessment. We were unable to obtain sufficient appropriate audit evidence concerning the carrying amount and hence were not able to conclude that the liability was complete and appropriately valued in the statement of financial position.

Additionally, the Authority has recorded \$120,000 in relation to certain conference events that were not held during the financial year. Management believes that they have an obligation and that the amounts represent budgeted expenditure for the financial year. We were unable to obtain audit evidence to support the fact that the conference event took place during the financial year and concluded that the liability is inappropriately recorded in the statement of financial position and the expenses are overstated by this amount.

The Authority has recorded in other assets \$258,000 of assets in transit that Management believes should be recorded based on open purchase orders. We have obtained audit evidence to support that \$124,476 of this amount recorded in other assets were prepaid and should have been included as a part of the prepayment. The remainder should have been recorded when the goods/services were received.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of International Seabed Authority (Continued)

Report on the Audit of the Financial Statements (Continued)

Basis for Qualified Opinion (continued)

The Authority also recorded amounts in the cash account transactions that were not initiated in the current financial year of \$567,000. We obtained audit evidence to support that the amounts were incorrectly accounted for as a part of the cash balance and resulted in the understatement of the payables, receivables and some expense accounts. This misstatement did not have a material impact on the Authority's surplus for the year ended 31 December 2018. The Authority has not reclassified to other receivables amounts owed from other funds of \$867,000 from the cash account in the prior year. We obtained audit evidence that supports that these amounts were incorrectly recorded in the cash account from previous years.

Had the Authority recorded these adjustments, cash and cash equivalents would have been \$5.59 million, other receivables - \$2.12 million, other assets - nil, payables - \$1.22 million, provisions - \$0.36 million, net deficit - \$1.25million and accumulated surplus - \$5.22 million.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of International Seabed Authority (Continued)

Report on the Audit of the Financial Statements (Continued)

### Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

The Board of Directors is responsible for overseeing the Authority's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of International Seabed Authority (Continued)

Report on the Audit of the Financial Statements (Continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young*

Chartered Accountants  
Kingston, Jamaica

4 July 2019

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Statement of Financial Position  
**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

	Notes	2018 US\$	2017 US\$
<b>CURRENTS ASSETS</b>			
Cash and cash equivalents	4	6,158,613	5,475,913
Members assessed contributions receivable	5	903,065	1,017,560
Other receivables	6	1,314,170	1,322,468
Advances to staff	7	145,545	133,857
<b>Total current assets</b>		<b>8,521,393</b>	<b>7,949,798</b>
<b>NON-CURRENTS ASSETS</b>			
Property and equipment	8	565,677	396,364
Intangible assets	9	29,906	11,146
Asset in transit	10	258,911	-
<b>Total non-current assets</b>		<b>854,494</b>	<b>407,510</b>
<b>Total Assets</b>		<b>9,375,887</b>	<b>8,357,308</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENTS LIABILITIES</b>			
Payable and accruals	11	1,081,505	463,808
Other provisions	12	719,288	149,971
Advance contributions	13	2,120,382	711,736
Repatriation benefits	14	43,026	51,690
<b>Total current liabilities</b>		<b>3,964,201</b>	<b>1,377,205</b>
<b>NON-CURRENTS LIABILITIES</b>			
Repatriation benefits	14	390,166	513,461
Other non-current liabilities	15	1,405,466	1,500,000
<b>Total non-current liabilities</b>		<b>1,795,632</b>	<b>2,013,461</b>
<b>Total liabilities</b>		<b>5,759,833</b>	<b>3,390,666</b>
<b>EQUITY</b>			
Accumulated surplus		5,116,054	6,466,642
Other reserve	15	(1,500,000)	(1,500,000)
<b>Total equity</b>		<b>3,616,054</b>	<b>4,966,642</b>
<b>Total Liabilities and Equity</b>		<b>9,375,887</b>	<b>8,357,308</b>

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

Approved for issue by the International Seabed Authority on 4 July 2019 and signed on its behalf by:

  
 Secretary General - Michael W. Lodge

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Statement of Financial Performance

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

	Notes	2018 US\$	2017 US\$
<b>REVENUE</b>			
Contributions:			
Assessed contributions	16	6,618,594	6,618,594
Overhead charges	17	<u>1,269,000</u>	<u>1,128,000</u>
Total contributions and other budgeted income		7,887,594	7,746,594
Other income			
Interest income	18	20,443	11,605
Miscellaneous income	19	<u>50,428</u>	<u>173,816</u>
Total other income		<u>70,871</u>	<u>185,421</u>
<b>Total Revenue</b>		<u>7,958,465</u>	<u>7,932,015</u>
<b>EXPENSES</b>			
Administrative expenditure of the secretariat (Section 1.1)	20	6,421,403	6,036,214
Cost of conference services (Section 1.2)	21	1,800,553	886,698
Cost of programmes	22	953,327	419,749
Depreciation and amortization	8,9	150,775	127,075
Provision for uncollected contribution	5	<u>(17,005)</u>	<u>79,925</u>
Total expenses		<u>9,309,053</u>	<u>7,549,661</u>
<b>(Loss)/Surplus</b>		<u>(1,350,588)</u>	<u>382,354</u>



**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Statement of Changes in Equity  
**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

	Notes	Accumulated Surplus US\$	Other Reserve US\$	Total US\$
<b>Balance at 31 December 2016</b>		4,747,462	-	4,747,462
Adjustment for ASHI	3(a)	-	(1,500,000)	(1,500,000)
Adjustment for prior year's contribution receivables	3(a)	501,010	-	501,010
Adjustment for capitalized assets and others	3(a)	228,051	-	228,051
Prior years' contributions received in 2017	23	138,061	-	138,061
Surplus for the year		382,354	-	382,354
Savings from prior periods' obligations	24	469,704	-	469,704
<b>Balance at 31 December 2017</b>		<u>6,466,642</u>	<u>(1,500,000)</u>	<u>4,966,642</u>
Loss for the year		<u>(1,350,588)</u>	<u>-</u>	<u>(1,350,588)</u>
<b>Balance at 31 December 2018</b>		<u>5,116,054</u>	<u>(1,500,000)</u>	<u>3,616,054</u>

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Statement of Cash Flows

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

	Notes	2018 US\$	2017 US\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Loss)/Surplus for the year		(1,350,588)	382,354
Adjustments to reconcile surplus to net cash flows from operating activities:			
Adjustment for ASHI		-	(1,500,000)
Adjustments in prior period receivables		-	501,010
Adjustments for capitalized assets		-	228,051
Prior periods contributions received		-	138,061
Depreciation and amortization		150,775	127,075
Operating cash flows before movements in working capital		(1,119,813)	(123,449)
Movements in working capital			
(Increase)/decrease in contributions receivable		114,495	(1,017,560)
(Increase)/decrease in other receivables		8,298	108,927
(Increase)/decrease in advances to staff		(11,688)	(129,484)
Increase in other assets		(258,911)	-
Increase/(decrease) in other provisions		569,317	(2,442,502)
Increase/(decrease) in advance contributions		1,408,646	(639,879)
Increase/(decrease) in repatriation benefits		(131,959)	196,950
Increase/(decrease) in non-current liabilities		(94,534)	1,500,000
Increase/(decrease) in payables and accruals		617,697	45,681
Savings on prior periods obligations	24	-	469,704
Net cash provided by/(used in) operating activities		1,021,548	(2,031,612)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment and intangibles	8, 9	(338,848)	(270,495)
Net cash used in investing activities		(338,848)	(270,495)
<b>Net increase/(decrease) in cash and cash equivalents</b>		682,700	(2,302,107)
<b>Cash and cash equivalents at the beginning of the year</b>		5,475,913	7,778,020
<b>Cash and cash equivalents at the end of the year</b>	4	6,158,613	5,475,913

**INTERNATIONAL SEABED AUTHORITY  
General Administration Fund**

**Statement of Comparison of Budget to Actual Amounts  
31 December 2018  
(expressed in United States dollars unless otherwise indicated)**

Section 1	Object of expenditure	Accounted as per IPSAS standards				Adjustments due to IPSAS		Cash based figures		
		Original Budget	Transfers from 2017	Revised Budget	Actuals	Balance	Amounts	Comment	Actuals	Balance
Sub-section 1	Administration and conference services expenditures									
	Administrative expenditures of the Secretariat									
	Established Posts	3,100,000 JPC	204,184	3,304,184	3,154,087	150,097			3,154,087	150,097
	Gen. Temporary assistance	16,000 JT	-18,226	-2,226	50,736	-52,962			50,736	-52,962
	Overtime	36,600 JY	3,034	39,634	19,302	20,332			19,302	20,332
	Consultants (non-programme)	10,700 OI	10,300	21,000	25,085	-4,085			25,085	-4,085
	Common staff costs	1,575,000 JS	-277,334	1,297,666	1,957,445	-659,779			2,091,909	-794,243
	Training	31,500 RJ	17,652	49,152	65,325	-16,173			65,325	-16,173
	Official travel (non-programme)	96,600 JT	-25,820	70,780	125,603	-54,823			125,603	-54,823
	Communications	100,400 OF	25,701	126,101	119,856	6,245			119,856	6,245
	Library, books and supplies	68,000 JE	8,898	76,898	32,830	44,068			32,830	44,068
	External printing (20% non-programme)	11,000 JQ	-19,834	-8,834	1,477	-10,311			1,477	-10,311
	Supplies and materials	40,200 JF	-15,365	24,835	56,173	-31,338			56,173	-31,338
	Official hospitality	12,000 IO	-2,892	9,108	6,095	3,013			6,095	3,013
	Information technology	27,900 JA	39,243	67,143	59,511	7,632			59,511	7,632
	Acquisition of furniture & equipment	73,000 EC	50,820	123,820	85,524	38,296			85,524	38,296
	Rental & maintenance of furniture & equipment	12,000 M6	-4,578	7,422	20,576	-13,154			20,576	-13,154
	UN common system	83,000 JC	22,699	105,699	93,291	12,408			93,291	12,408
	Miscellaneous services	56,500 AB	-16,178	40,322	86,901	-46,579			86,901	-46,579
	Audit fees	20,000 LJ	4,000	24,000	16,503	7,497			16,503	7,497
	Building Management	418,000 M	-23,826	394,174	427,476	-33,302			427,476	-33,302
	IPSAS	60,000 IPS	60,000	120,000	17,609	102,391			17,609	102,391
	Depreciation of assets				0	0			-150,397	150,397
	Uncollected contributions				0	0			-62,920	62,920
	Provision for audit fees				0	0			-16,000	16,000
Total Sub-section 1	Administrative expenditures of the Secretariat	5,848,400	42,278	5,890,678	6,421,403	-530,725			6,916,553	-1,223,192
Sub-section 2	Cost of conference services									
	Salaries UN staff	65101-CFN			0					
	Printing & supplies	65102-CFN			10,038					
	Misc. conference service costs	65103-CFN			23,935					
	Travel - Staff	65104-CFN			157,266					
	Rental of Conference Center	65105-CFN			118,522					
	Temporary assistance (Meetings)	1,965,000 G5	321,088	2,286,088	52,162	1,800,533			1,800,533	485,535
	Rental of Equipment	65107-CFN			20,636					
	Local transportation	65108-CFN			5,398					
	Communication	65109-CFN			127,747					
	Meeting Services	65110-CFN			755,829					
	Documentation	65111-CFN			491,529					
	Reception	65112-CFN			37,471					
Total Sub-section 2	Cost of conference services	1,965,000	321,088	2,286,088	1,800,553	485,535			1,800,553	485,535
Total Section 1	Administration and conference services expenditures	7,813,400	363,366	8,176,766	8,221,957	-46,191			8,717,106	-737,657

**INTERNATIONAL SEABED AUTHORITY  
General Administration Fund**

**Statement of Comparison of Budget to Actual Amounts  
31 December 2018  
(expressed in United States dollars unless otherwise indicated)**

Object of expenditure	Accounted as per IPSAS standards			Adjustments due to IPSAS		Cash based figures			
	Original Budget	Transfers from 2017	Revised Budget	Actuals	Balance	Amounts	Comment	Actuals	Balance
<b>Section 2</b>									
<b>Programme expenditures</b>									
<b>Programme 2.1</b>									
Development of the regulatory framework for activities in the Area									
Consultants	45,200	23,819	69,019	206,391	-137,372			206,391	-137,372
External printing	12,400		12,400	0	12,400			0	12,400
Travel	45,600	-26,429	19,171	122,412	-103,241			122,412	-103,241
Workshops	120,800		120,800	6,951	113,849			6,951	113,849
<b>Total Programme 2.1</b>	<b>224,000</b>	<b>-2,610</b>	<b>221,390</b>	<b>335,754</b>	<b>-114,364</b>			<b>335,754</b>	<b>-114,364</b>
<b>Programme 2.2</b>									
Protection of the marine environment									
Consultants	19,400	15,565	34,965	12,719	22,246			12,719	22,246
External printing	11,800		11,800	1,071	10,729			1,071	10,729
Travel	7,600	-40,718	-33,118	118,057	-151,175			118,057	-151,175
Workshops		185,078	185,078	44,548	140,530			44,548	140,530
<b>Total Programme 2.2</b>	<b>38,800</b>	<b>159,925</b>	<b>198,745</b>	<b>176,395</b>	<b>22,330</b>			<b>176,395</b>	<b>22,330</b>
<b>Programme 2.3</b>									
Management of contracts									
Consultants			0	0	0			0	0
External printing			0	500	-500			500	-500
Travel	15,200	3,035	18,235	26,583	-8,348			26,583	-8,348
Workshops	3,200	30,782	33,982	2,553	31,429			2,553	31,429
<b>Total Programme 2.3</b>	<b>18,400</b>	<b>33,817</b>	<b>52,217</b>	<b>29,636</b>	<b>22,581</b>			<b>29,636</b>	<b>22,581</b>
<b>Programme 2.4</b>									
Data management (resource and environment)									
Consultants	10,200	257,653	267,853	104,589	163,264			104,589	163,264
External printing	2,500	9,600	12,100	0	12,100			0	12,100
Travel	20,700	16,003	36,703	19,038	17,665			19,038	17,665
Workshops	4,000		4,000	0	4,000			0	4,000
Information Technology		93,678	93,678	38,172	55,506		Software moved to fixed assets	61,529	79,262
Central data repository			0	0	0			0	0
Maintenance and support	35,900		35,900	44,001	-8,101			44,001	-8,101
<b>Total Programme 2.4</b>	<b>73,300</b>	<b>376,934</b>	<b>450,214</b>	<b>205,799</b>	<b>244,435</b>			<b>229,556</b>	<b>268,191</b>
<b>Programme 2.5</b>									
Promotion and encouragement of marine scientific research in the Area									
Consultants	9,700	9,700	19,400	2,404	16,996			2,404	16,996
External printing	12,400		12,400	2,839	9,561			2,839	9,561
Travel	7,600	5,710	13,310	53,028	-39,718			53,028	-39,718
Workshops	120,800	120,000	240,800	27,765	213,035			27,765	213,035
<b>Total Programme 2.5</b>	<b>150,500</b>	<b>135,410</b>	<b>285,910</b>	<b>86,037</b>	<b>199,873</b>			<b>86,037</b>	<b>199,873</b>
<b>Programme 2.6</b>									
Outreach activities									
Consultants	11,300	1,595	12,895	17,292	-4,397			17,292	-4,397
External printing	600	600	1,200	4,463	-3,263			4,463	-3,263
Travel	15,200	-39,743	-24,543	34,655	-59,198			34,655	-59,198
Workshops	62,600	94,344	156,944	93,648	63,296			93,648	63,296
<b>Total Programme 2.6</b>	<b>89,700</b>	<b>56,796</b>	<b>146,496</b>	<b>119,706</b>	<b>26,790</b>			<b>119,706</b>	<b>26,790</b>
<b>Total Section 2</b>	<b>594,700</b>	<b>760,272</b>	<b>1,354,972</b>	<b>953,327</b>	<b>401,645</b>			<b>977,084</b>	<b>425,401</b>
<b>Total administrative, conference services and programmes expenditures</b>	<b>8,722,600</b>	<b>1,123,638</b>	<b>9,846,238</b>	<b>9,175,283</b>	<b>356,454</b>			<b>9,694,190</b>	<b>-312,256</b>

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

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**1. The International Seabed Authority**

- (a) The International Seabed Authority (the "Authority") is an intergovernmental organization. It is established by the 1982 United Nations Convention on the Law of the Sea and the 1994 Agreement relating to the implementation of Part XI of the Convention and came into existence on 16 November 1994. The Authority has 168 members as at 31 December 2018 (2017: 168 members).
- (b) The Authority has its headquarters in Kingston, Jamaica. The governing bodies of the Authority are the Assembly, which comprises all members of the Authority, and the Council, which consists of 36 members elected for a term of four years on a rotational basis. The Finance Committee is a subsidiary body of the Assembly. It has 15 elected members, which must include representatives of the five largest contributors to the administrative budget. A Legal and Technical Commission, currently consisting of 30 elected members, acts as a subsidiary body to the Council. The secretariat, which is based in Kingston, consists of a Secretary-General, elected for a period of four years, and administrative and technical staff. The current approved establishment of the secretariat is 40 Posts (2017: 41 Posts).
- (c) The Assembly and Council meet once per year in Kingston. The Legal and Technical Commission meets twice per year. The organs of the Authority operate in the six official languages of the United Nations (Arabic, Chinese, English, French, Russian and Spanish). Translation of official documentation and interpretation services are provided, on a cost reimbursement basis, by the United Nations under a relationship agreement between the Authority and the United Nations signed in 1997. The working languages of the Secretariat are English and French.
- (d) The primary function of the Authority is to manage deep seabed mining in the international seabed Area (the subsoil beyond the limits of national jurisdiction). It does this through issuing contracts to qualified entities allowing them to explore for or exploit seabed mineral resources. The regulatory framework for these activities is laid down in the 1982 Convention, the 1994 Agreement and in regulations of the International Seabed Authority. The Authority had approved 27 contracts for exploration as of 31 December 2018 (29 contract as at 31 December 2018). The contracts are issued following approval by the Council of the International Seabed Authority, based on the recommendations of the Legal and Technical Commission. Exploration contracts last for 15 years, with the possibility of extensions for periods of five years each. Seabed mineral exploitation has not yet commenced, primarily owing to technical and financial challenges, as well as the lack of a regulatory framework. The Council has determined that the development of a regulatory framework for exploitation, including financial terms and standards for the protection of the marine environment, should be a priority for the Authority.
- (e) Until such time as deep seabed mining commences, the income of the Authority shall be from assessed contributions by member States. The scale of contributions is based on the scale of contributions of the United Nations, adjusted for difference in membership. Limited cost recovery takes place through the imposition of application fees for new contracts and an annual overhead charge for existing contracts. Once deep seabed mining begins, the Authority will collect revenue from contractors in the form of royalties or other payments. Such income will be allocated to meet the administrative expenses of the Authority, with the surplus to be distributed to member States on the basis of equitable sharing criteria, with priority going to the least developed and landlocked States. The financial terms of contracts and criteria for sharing financial and economic benefits from deep seabed mining are yet to be developed.

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

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**1. The International Seabed Authority (continued)**

- (f) In support of its primary function, the Authority is also required to promote and encourage the conduct of marine scientific research in the international seabed area. This is achieved through conducting technical studies and workshops, collaboration in international scientific research programmes and administration of an Endowment Fund for Marine Scientific Research through which grants may be awarded to scientists from developing countries for scientific research and training.
- (g) In addition to the above, the Authority is currently concentrating on the following activities:
  - 1) Providing secretariat support to the organs of the Authority;
  - 2) Preparing draft regulations for seabed mineral exploitation for consideration by the Legal and Technical Commission and the Council, including preparing studies on key issues, convening workshops and technical meetings and legal drafting;
  - 3) Processing new applications for exploration contracts;
  - 4) Administering existing contracts for exploration, including reviewing annual reports of contractors, analyzing data submitted by contractors and managing training programmes;
  - 5) Building and maintaining a database on deep seabed minerals and related environmental characteristics, and managing access to data;
  - 6) Developing regional environmental management plans to ensure the protection of the marine environment from the harmful effects of deep seabed mining; and
  - 7) Publishing technical reports, studies and briefings on issues of interest to member States.

**2. Summary of significant accounting policies**

The financial statements reflect the application of the following significant accounting policies.

**2.1. Basis of preparation**

(a) Accounting convention

The financial statements have been prepared on the accrual basis of accounting in accordance with the Financial Regulations (ISBA/6/A/3) and Financial Rules (ST/SGB/2008/02) of the Authority, and the International Public Sector Accounting Standards (IPSAS) developed and published by the international Public Sector Accounting Standards Board (IPSASB).

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

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**2. Summary of significant accounting policies (continued)**

**2.1. Basis of preparation (continued)**

(a) Accounting convention (continued)

The financial statements have been prepared using the historical cost measurement basis and on a going concern basis.

The financial statements reflect the assets, liabilities, and transactions relating to the General Administrative Fund. The Authority also administers the following funds:

- Working Capital Fund
- Endowment Fund
- Voluntary Trust Fund
- Polymetallic Nodules Exploration Application Fees
- Sulphides Exploration Application Fees
- Cobalt-Rich Ferromanganese Crusts Exploration Application Fees
- Support Trust Fund

The status of these funds is set out in Note 27 and are unaudited.

(b) Use of estimates and assumptions

The financial statements necessarily include amounts based on judgements, estimates and assumptions by management. Estimates include but are not limited to: recoverability of accounts receivable; accrued charges; contingent assets and liabilities; and degree of impairment on property and equipment. Material changes in estimates are reflected in the period in which they become known.

As disclosed in Note 2.11 (b) the Authority has an after service health insurance liability which is shown as a post-employment benefit obligation in the statement of financial position as a liability of \$1.4 million (2017: \$1.5 million) and the present value of the pension obligation is determined using a valuation performed by the management. Such valuations involve making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, mortality rate and other factors. Due to the complexities involved in the valuation and its long term nature, the post-employment benefit obligation recognised is highly sensitive to changes in these assumptions.

(c) Financial period

The period covered by the financial statements is the year ended 31 December 2018.

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

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**2. Summary of significant accounting policies (continued)**

**2.2 Presentation of Budget Information**

The Authority prepares its annual financial statements on a full accrual basis, while its budget is prepared annually on a modified accrual basis.

Due to the different bases of budgets and financial statements, Statement 5 - Comparison of budget and actual amounts, as required under IPSAS 24 - Presentation of Budget Information in Financial Statements, is presented with explanations and clarifications of material variances between budget and actual data.

**2.3 Functional and presentation currency**

Items included in the financial statements are measured using the functional currency, the United States dollar, which is the currency of the primary economic environment in which the Authority operates. The financial statements are also presented in United States dollar, the presentation currency of the Authority.

Transactions and balances: foreign currency transactions are translated into the functional currency using the United Nations Operational Rate of Exchange (UNORE) prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into US Dollars on the basis of the exchange rates applicable on 31 December 2018.

**2.4 Financial Instruments**

**Financial assets**

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement (IPSAS 29) are classified as financial assets at fair value through surplus or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Authority commits to purchase or sell the asset.

The Authority's financial assets include: cash and short-term deposits; members assessed contribution receivables and other receivables.



**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

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**2. Summary of significant accounting policies (continued)**

**2.4 Financial Instruments (continued)**

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or loss. Receivables are disclosed in Note 6.

*Derecognition*

The Authority derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when:

- The rights to receive cash flows from the asset have expired or is waived
- The Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:
  - (a) the Authority has transferred substantially all the risks and rewards of the asset; or
  - (b) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Impairment of financial assets*

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or loss or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Authority's financial liabilities includes payables and accruals.

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

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**2. Summary of significant accounting policies (continued)**

**2.5 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, money market and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

**2.6 Revenue**

**(a) Revenue from non-exchange transactions**

The Authority's revenue from non-exchange transactions such as assessed contributions from Member States is recognized to the extent that the transaction creates an asset without a corresponding deferred revenue liability. When the transaction has stipulations that amount to conditions attached, revenue is recognized only to the extent that any corresponding asset exceeds the liability.

Receivables relating to non-exchange revenue are reviewed and analyzed, and an allowance is made where collection is considered doubtful. All contributions receivables are presented in statement of financial position net of these allowances.

The management have determined that the rate of loss allowance is set at 5% for receivables of current year and 10% for previous years.

**(b) Revenue from exchange transactions**

The Authority recognizes revenue under exchange transactions when it is probable that future economic benefits or service potential will flow to the Authority and those benefits can be measured reliably. No revenue is recognized unless these two primary conditions are met. Interest income is accrued on a time-apportionment basis by reference to the principal sum outstanding and the effective interest rate applicable.

**(c) Goods-in-kind contribution**

Goods-in-kind contributions are recognized at their fair value, and goods and corresponding revenue are recognized immediately if no conditions are attached. If conditions are attached, a liability is recognized until such conditions are met and the present obligation is satisfied. Revenue is recognized at fair value, measured as at the date the donated assets are acquired.

**(d) Services-in-kind contributions**

Services-in-kind contributions are not recognized in the financial statements as revenue. The nature and type of service are disclosed in the notes to the financial statements.

The Authority receives service-in-kind contribution from the Government of Jamaica in the form of free rental space for its Headquarters premises in Jamaica Conference Center, Kingston. The approximate value of this in-kind contribution amounts to US\$393,139 (or JM\$50,671,000) for the space of 35,181 square feet, currently used by the Authority.

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

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**2. Summary of significant accounting policies (continued)**

**2.7 Property and Equipment**

Property and Equipment (PE) are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the PE items.

Subsequent costs, for which asset recognition criteria are met, are included in the asset's carrying amount only when they improve the condition of the fixed asset and extend the asset's useful life.

Property and Equipment are recognized from the time they first become available for use by the Authority. A capitalization threshold of US\$3,000 has been set for PE items other than leasehold improvements. For leasehold improvements, the threshold is set at US\$50,000.

Depreciation is calculated using the straight-line method in order to spread the expenses over the estimated useful live. The basis for depreciation is the acquisition cost less the estimated residual value. The estimated useful lives for each class of PE are as follows:

<u>PE Asset Class</u>	<u>Useful Life (in years)</u>
Computer equipment	2 - 4 (2 years for laptops, 4 years for others)
Office equipment	5
Motor vehicles	5
Furniture and Fixtures	5
Leasehold improvements	10

Depreciation is charged on a monthly basis. Residual values of items of PE are reviewed at each annual reporting date. In practice the residual value is set at nil. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are disclosed under other revenue or expenses in the statement of financial performance.

**2.8 Intangible assets**

Intangible assets (software, licenses, trademark) are reported for the first time in the financial statements for the year ended 31 December 2018. They are recorded on a prospective basis only, i.e. items qualified as intangible assets but acquired before 1 January 2018 were all expensed.

Intangible assets are capitalized if their costs meet the threshold of US\$5,000, except for internally developed software, for which the capitalization threshold is US\$100,000.

Intangible assets are recorded from the time they first become available for use by the Authority. Intangible assets are stated at historical cost less accumulated amortization and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or development of the intangible assets.

Useful life for intangible assets are set at five (5) years. Amortization is calculated using the straight-line method in order to spread the expenses over the estimated useful life.

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements  
**31 December 2018**  
(expressed in United States dollars unless otherwise indicated)

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**2. Summary of significant accounting policies (continued)**

**2.9 Impairment of non-cash-generating assets**

The Authority assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset. The asset's recoverable service amount is the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. Impairment losses are recognised immediately in the statement of financial performance.

**2.10 Provision and Contingent Liabilities**

Provisions for liabilities and charges are recognized when the Authority has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount of the provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date. The estimate is discounted when the effect of the time value of money is material.

Contingent liabilities for which the possible obligation is uncertain, or for which it is yet to be confirmed whether ISA has a present obligation that could lead to an outflow of resources, or obligations that do not meet the recognition criteria here above (as per IPSAS 19), are disclosed.

**2.11 Employee Benefits**

Employees are defined as staff members, within the meaning of Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment, subject to the regulations promulgated by the United Nations' General Assembly pursuant to Article 101, paragraph 1, of the Charter. In practice, this means those persons with a temporary, fixed-term or permanent contract.

Obligations for new employees are recognized from the date they report to their duty station.

The Authority's employee benefits are classified into short-term and post-employment benefits.

**(a) Short-term employee benefits**

Short-term employee benefits are employee entitlements that are due to be settled within 12 months after the end of the reporting period in which the employee renders the related service. These benefits include annual and home leave.

Annual leave is an accumulating compensated absence. Employees are entitled to monetary settlement of the accrued annual leave balance upon separation from service, up to a maximum of 60 days. The organization therefore recognizes liability for the value of the total accumulated leave days of all staff members as of the reporting date.

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

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**2. Summary of significant accounting policies (continued)**

**2.11 Employee Benefits (continued)**

(a) Short-term employee benefits (continued)

Home leave travel is available to eligible staff and dependents. The liability represents the expected travel cost of the next home leave entitlement for qualifying staff, as adjusted for the proportion of service yet to be performed until the benefit is vested.

Owing to the short-term nature of these entitlements, the liability is not discounted for the time value of money.

(b) Post-employment employee benefits

Post-employment benefits provided by the Authority are:

- i. After-service health insurance, which provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependents. The after-service health insurance liability represents the present value of the share of the Authority's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff;
- ii. End-of-service entitlements, which comprise the repatriation grant, shipping costs and travel expenses. A liability is recognized from when the staff member joins the Authority.

(c) United Nations Joint Staff Pension Fund (UNJSPF or the "Pension Fund")

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

The Pension Fund exposes participating organization to actuarial risks associated with the current and former employees of other participating 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. The Authority and the Pension Fund, in line with the other participating organizations, are not in a position to identify the Authority's proportionate share of the defined benefit obligations, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, the Authority has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The Authority's contributions to the Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

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**2. Summary of significant accounting policies (continued)**

**2.11 Employee Benefits (continued)**

(c) United Nations Joint Staff Pension Fund (UNJSPF or the "Pension Fund") (continued)

The pension and health benefits are categorized as defined benefit plans. Defined benefit plans are those where the obligation of the Authority is to provide agreed benefits and therefore the Authority bears the actuarial risk, that is, that the benefits will cost more or less than expected.

The liability for defined benefit plans is measured at the present value of the defined benefit obligation net of the fair value of the plan assets. Movements in the liability from the actuarial gains and losses are recognized in statement of financial position. All other changes in the liability are recognized in the statement of financial performance in the period in which they occur.

**2.12 Related parties**

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority. Members of key management are regarded as related parties which comprise of the Secretary General.

**3. Changes in accounting policies and estimates**

(a) Standards adopted during the year

The Authority recognizes the effect of changes in the accounting policy retrospectively. The effect of changes in accounting policy are applied prospectively if retrospective application is impractical.

- *IPSAS 39 Employee benefits*

The Authority has adopted this standard and has accounted for and disclosed employee benefits, including short term benefits, pensions, post-employment life insurance and medical benefits, termination benefits, and other long-term employee benefits, except for shared based transactions and employee retirement benefit plans. The standard supersedes IPSAS 25.

(b) New standards which are not yet effective

- **IPSAS 40 – Public Sector Combinations**

The standard establishes requirements for classifying, recognizing and measuring public sector combinations and will become effective as of 1 January 2019. This standard is not expected to have an impact on the financial statements of the Authority.

- **IPSAS 41 – Financial Instruments**

The standard sets out requirements for recognition and measurement of financial instruments, including impairment, derecognition and general hedge accounting. The standard is effective for annual periods beginning on or after 1 January 2022. IPSAS 41 replaces IPSAS 29. The Authority will assess any relevant changes and consider for implementation in 2022.

- **IPSAS 42 – Social Benefits**

The standard assist users of the financial statements and general purpose financial reports assess the nature of social benefits provided by the entity, the features of the operation of social benefit schemes and the impact of social benefits on the entity's financial statements. The standard is effective for annual periods beginning on or after 1 January 2022. The Authority will assess any relevant changes and consider for implementation in 2022.

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

**4. Cash and cash equivalents**

(a) These reflect cash and cash equivalents belonging to the General Administrative Fund:

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Cash and bank balances	5,007,896	4,335,355
Short-term deposits	1,150,717	1,140,558
Cash and cash equivalents	<u>6,158,613</u>	<u>5,475,913</u>

Cash at banks earn interest floating rates based on the daily bank deposit rates.

(b) Other funds:

Funds amounting to US\$7,523,030 (2017: US\$7,082,853) are being held in bank accounts in the name of the Authority but are not included in the General Administrative Fund. These funds are in respect of other funds administered by the Authority and comprise:

	<b>Notes</b>	<b>2018</b>	<b>2017</b>
		<b>US\$</b>	<b>US\$</b>
Working capital fund	27.a	580,645	579,226
Endowment fund	27.b	3,609,362	3,532,897
Voluntary Trust Funds	27.c	249,460	55,419
Polymetallic Nodules Exploration Application fees	27.d	965,402	1,379,798
Polymetallic Sulphides Exploration Application fees	27.e	909,311	905,089
Cobalt-Rich Ferromanganese Crust Exploration Application fees	27.f	651,579	630,424
Support Trust Fund	27.g	557,271	-
		<u>7,523,030</u>	<u>7,082,853</u>

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

**5. Members assessed contributions receivable**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
<b>Receivables from member states:</b>		
Current year's assessment	673,560	596,475
Prior year's assessment	292,425	501,010
Less Provision for uncollected receivables for the current year (See (a))	(33,678)	(29,824)
Less Provisions for uncollected receivables for the previous years (See (b))	(29,242)	(50,101)
	<u>903,065</u>	<u>1,017,560</u>

Movement in allowance for doubtful contribution

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
At 1 January	79,925	639,071
Adjustment for prior year's contribution receivables	-	(501,010)
Prior years' contributions received in the year	-	(138,061)
Provision for current year's uncollected receivables	(17,005)	79,925
Closing balance	<u>62,920</u>	<u>79,925</u>

As at 31 December 2018, the ageing analysis of the members associated contribution receivables is as follows:

<b>As at 31 December 2018</b>	<b>Past due but not impaired</b>				<b>Gross receivables before provision Total (US\$)</b>
	<b>Neither past due nor impaired</b>	<b>&lt; 2 years</b>	<b>Between 2 and 5 years</b>	<b>More than 5 years</b>	
<i>Members associated contribution receivables</i>	673,560	135,824	71,689	84,912	965,985

As at 31 December 2017, the ageing analysis of the members associated contribution receivables is as follows:

<b>As at 31 December 2017</b>	<b>Past due but not impaired</b>				<b>Gross receivables before provision Total (US\$)</b>
	<b>Neither past due nor impaired</b>	<b>&lt; 2 years</b>	<b>Between 2 and 5 years</b>	<b>More than 5 years</b>	
<i>Members associated contribution receivables</i>	596,475	290,144	129,311	81,555	1,097,485



**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

**5. Members assessed contributions receivable (continued)**

- a) Ninety member states had not fully paid their 2018 assessed contribution amounts as of 31 December 2018 (Ninety-two members in 2017 with regard to 2017 assessed contribution amounts). Provision for uncollected receivables from member states' contributions is set at 5% of the current year's receivables.
- b) Fifty-eight member states have not fully paid their 1998-2017 assessed contribution amounts as of 31 December 2017 (fifty members in 2016 with regard to 1998-2015 assessed contribution amounts). Provision for uncollected receivables from member states' contributions is set at 10% of the prior year's receivables.

**6. Other receivables**

The analysis of other receivables is as follows:

	Notes	2018 US\$	2017 US\$
Polymetallic Nodules Exploration Application fees	27.d	422,694	255,872
Polymetallic Sulphides Exploration Application fees	27.e	255,849	225,435
Cobalt-Rich Ferromanganese Crust Exploration Application fees	27.f	465,832	408,636
Contribution – overhead		47,000	-
Others		122,795	432,525
		<u>1,314,170</u>	<u>1,322,468</u>

**7. Advances to staff**

	2018 US\$	2017 US\$
J\$ payments due from staff	4,952	6,220
U\$ payments due from staff	4,269	15,376
Other advances	136,324	112,261
	<u>145,545</u>	<u>133,857</u>

Advances to staff include both normal advance payments to staff, and advance payments for employee benefits such as home leave, education grants. Based on IPSAS delivery principle, these payments remain as advances for the proportion of service yet to be performed by the concerned staff member until the benefit is vested.

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements  
**31 December 2018**  
(expressed in United States dollars unless otherwise indicated)

8. Property and equipment	Motor Vehicles	Computer Equipment	Furniture and Fixtures	Office Equipment	Leasehold Improvement	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Cost:</b>						
1 January 2017	84,823	74,474	191,328	121,964	-	472,589
Addition	34,312	142,600	44,544	37,079	-	258,535
31 December 2017	119,135	217,074	235,872	159,043	-	731,124
Addition	42,652	4,422	-	51,969	216,049	315,092
31 December 2018	161,787	221,496	235,872	211,012	216,049	1,046,216
<b>Depreciation:</b>						
1 January 2017	67,858	37,268	59,643	43,730	-	208,499
Depreciation charges	18,108	35,896	44,155	28,102	-	126,261
31 December 2017	85,966	73,164	103,798	71,832	-	334,760
Depreciation charges	9,706	47,740	48,679	39,654	-	145,779
31 December 2018	95,672	120,904	152,477	111,486	-	480,539
<b>Net Book Values:</b>						
31 December 2018	66,115	100,592	83,395	99,526	216,049	565,677
31 December 2017	33,169	143,910	132,074	87,211	-	396,364

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

**9. Intangible assets**

	<b>US\$</b>
<b>Cost:</b>	
1 January 2017	-
Addition	11,960
31 December 2017	<u>11,960</u>
Addition	23,756
31 December 2018	<u>35,716</u>
<b>Amortization:</b>	
1 January 2017	-
Amortization for the year	814
31 December 2017	<u>814</u>
Amortization for the year	4,996
31 December 2018	<u>5,810</u>
<b>Net Book Value:</b>	
31 December 2018	<u>29,906</u>
31 December 2017	<u>11,146</u>

**10. Asset in transit**

Asset in transit comprise of assets which are the subject of an open purchase order, partially or fully paid to the supplier(s), on high seas or ready for shipment. As at 31 December 2018, the assets in transit totaled \$258,911.

**11. Payables and accruals**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
ISA Exercise Club Payable	-	196
United Nations Joint Staff Pension fund contributions amount payable	922	9,878
Annual leave liability	399,460	364,532
Accrued home leave	224,137	18,351
Other accounts payable and accruals	456,986	70,850
	<u>1,081,505</u>	<u>463,808</u>

**12. Other provisions**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
These are services rendered and provided for by 31 December for which the related invoices had not been received as of that date	<u>719,288</u>	<u>149,971</u>

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

**13. Advance contributions**

	<b>2017</b> <b>US\$</b>	<b>2016</b> <b>US\$</b>
These amounts represent the following year's assessed contributions amount received during the year	<u>2,120,382</u>	<u>711,736</u>

**14. Repatriation benefits**

	<b>2018</b> <b>US\$</b>	<b>2017</b> <b>US\$</b>
Current portion	43,026	51,690
Non-current portion	<u>390,166</u>	<u>513,461</u>
	<u>433,192</u>	<u>565,151</u>

Repatriation benefits include repatriation grant, travel and removal costs on staff member's separation from service. The long term portion represents amounts are provisions made annually to be paid upon separation of staff members

**15. Other non-current liabilities**

	<b>2018</b> <b>US\$</b>	<b>2017</b> <b>US\$</b>
Other non-current liabilities include the After-Service Health Insurance – ASHI (Note 2.11.b) which is a post-employment benefit for eligible staff members upon separation from service	<u>1,405,466</u>	<u>1,500,000</u>

**16. Assessed contribution income**

	<b>2018</b> <b>US\$</b>	<b>2017</b> <b>US\$</b>
The amounts represent the net assessed contributions from member states	<u>6,618,594</u>	<u>6,618,594</u>

**17. Overhead charges**

	<b>2018</b> <b>US\$</b>	<b>2017</b> <b>US\$</b>
These amounts represent the annual charge of US\$47,000 per contractor for 27 contractors (2017: 24 contractors)	<u>1,269,000</u>	<u>1,128,000</u>

**INTERNATIONAL SEABED AUTHORITY  
General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

**18. Interest income**

	<b>2018 US\$</b>	<b>2017 US\$</b>
Interest income from:		
Other General Administrative Fund bank accounts	12,664	4,385
Contractor's annual overhead bank accounts	5,542	2,149
Contractors' application for extension fees bank accounts	2,237	812
Contractor's application for approval of Plan of Work fees bank accounts	-	4,259
	<u>20,443</u>	<u>11,605</u>

**19. Miscellaneous income**

	<b>2018 US\$</b>	<b>2017 US\$</b>
Contractors' Application processing fees		
Polymetallic sulphides	-	143,342
Exchange gain	25	(37)
Others	50,403	30,511
	<u>50,428</u>	<u>173,816</u>

**20. Administrative Expenditure of the Secretariat (Section 1.1)**

	<b>2018 US\$</b>	<b>2017 US\$</b>
These amounts include all costs related staff as well as the costs relating to the substantive areas of the Authority's work	<u>6,421,403</u>	<u>6,036,214</u>

**21. Conference servicing costs (Section 1.2)**

	<b>2018 US\$</b>	<b>2017 US\$</b>
These costs relate to expenses on conference servicing under Section 1.2	<u>1,800,553</u>	<u>886,698</u>

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

**22. Costs of programmes (Section 2)**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Development of the regulatory framework for activities in the Area (Programme 2.1)	335,754	93,410
Protection of the marine environment (Programme 2.2)	176,395	112,875
Management of contracts (Programme 2.3)	29,636	14,284
Data management (resource and environment) (Programme 2.4)	205,799	116,987
Promotion and encouragement of marine scientific research in the Area (Programme 2.5)	86,037	1,890
Outreach activities (Programme 2.6)	119,706	80,303
	<u>953,327</u>	<u>419,749</u>

**23. Prior year's contributions received by 31 December**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
These amounts relate to prior year's assessed contributions received by 31 December	<u>-</u>	<u>138,061</u>

**24. Savings from prior periods' obligations**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
These amounts represent provisions made in previous periods that were no longer required	<u>-</u>	<u>469,704</u>

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

**25. Related party transactions**

Related parties to the Authority with the ability to exercise significant influence over the Authority's financial and operating decisions. For the Authority, these include: key management personnel and close members of the family of key management personnel, identified as the Secretary General and members of the ISA Senior Management Group, namely Deputy to the Secretary-General/ Legal Counsel; Director of Office of Environmental Management and Mineral Resources; and Director of Office of Administrative Services. The total remuneration, the number of individuals and any loans are as follows:

Key management:

	<b>2018</b> <b>US\$</b>	<b>2017</b> <b>US\$</b>
Compensation and post adjustments	837,067	651,636
Other entitlements	75,134	88,570
Pension plan and health benefits	165,057	159,398
Total remuneration	<u>1,077,258</u>	<u>899,604</u>
Number of individuals	<u>4</u>	<u>4</u>

**26. Financial risk management**

The Authority's principal financial instruments comprise contributions receivable, cash and short term deposits and other payables. The main risks arising from the Authority's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. Those charged with governance are responsible for managing the risks summarized below:

**Credit risk**

Credit risk is the risk of financial loss to the Authority if customers or counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from the Authority's members assessed contribution receivables, other receivables and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December was:

	<b>2018</b> <b>US\$</b>	<b>2017</b> <b>US\$</b>
Members assessed contributions receivable	903,065	1,017,560
Other receivables	1,314,170	1,322,468
Cash and cash equivalents	<u>6,158,613</u>	<u>5,475,913</u>
	<u>8,375,848</u>	<u>7,815,941</u>

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

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**26. Financial risk management (continued)**

**Credit risk (continued)**

The Authority does not have credit risk associated with exchange transactions. Receivables represent the unpaid contributions or unpaid part of contributions from the member states which is governed by the membership rules. Whilst there is a risk of memberships not paying contributions, the Authority believes that as these are sovereign debt, the amounts are collectible. Provisions for these receivables are indicated in Note 5.

**Liquidity risk**

Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet its commitments. The Authority's activities are funded by the contributions received by its member states. The compliance rate is usually adequate to meet the funding needs of the Authority and as a result liquidity risk is considered low.

**Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority had no significant foreign currency exposure and an insignificant portion of its expenses are in Jamaican dollars. Contributions and other relevant activities are incurred in US Dollars. Jamaican Dollars (JMD) for payment of local staff salaries and other local purchases. The US Dollars held are converted to JMD on an as-needed basis, therefore exchange rate risk is minimal.

**Interest rate risk**

Interest rate risk is risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the statement of financial position date, the Authority had no significant exposure to interest rate risk as the cash and cash equivalents held bear minimal interest rates and the Authority has no borrowings.

**Fair value**

The following methods and assumptions have been used in determining the fair values of financial assets and financial liabilities:

- The carrying amounts included in the financial statements for cash and bank balances, members assessed contribution receivables and other receivables and other payables are assumed to approximate their fair values due to the short-term maturity of these instruments.

**Fair value measurements recognized in the Statement of Financial Position:**

There were no financial instruments that were measured subsequent to initial recognition at fair value or for which fair value disclosures are required that would be significant to the financial instruments held by the Authority.



**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

**27. Other funds**

**(a) Working Capital Fund**

Contributions to the Authority's Working Capital Fund as at 31 December 2018 totaled US\$606,704 (2017: US\$579,226). The authorized ceiling of this fund was increased from US\$560,000 to US\$660,000 in 2016 (ISBA/22/A/13). Outstanding contributions totaled the amount of US\$53,296 (2017: US\$80,774). No funds were drawn from the Working Capital Fund for operational purposes in 2018 and 2017. Deposits of \$26,059 are due to be made to the Working Capital Fund's bank account by the General Administrative Fund (GAF). Interest earned on the fund balance of \$2,572 was transferred to the GAF as miscellaneous income, in accordance with the Authority's Financial Regulations 5.4.

**(b) Endowment Fund**

The Assembly at the 12th Session of the Authority requested the Secretary-General to establish a general account to be known as the Endowment Fund for Marine Scientific Research in the Area. It was also decided that the initial capital of the fund should consist of the balance remaining as at 18 August 2006 from the application fees paid by the registered Pioneer Investors together with interest accrued thereon. On 25 September 2009, the FDR Germany approved the transfer of the fees paid on 20 December 2005 plus interest accrued thereon to the Endowment Fund.

**Endowment Fund**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Opening balance	3,532,897	3,506,850
Contributions	5,000	-
Interest income	66,653	48,072
Less: Expenses	(32,500)	(22,025)
Ending Balance	<u>3,572,050</u>	<u>3,532,897</u>

Net reconciling items of \$37,312 between the Fund balance and the bank account balance represents outstanding transfers to be made to the General Administrative Fund for expenses incurred.

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

**27. Other funds (continued)**

**(c) Voluntary Trust Fund**

The Voluntary Trust Fund (VTF) consists of two funds. The first fund was established in 2002 for the purposes of defraying the cost of participation of members of the Legal and Technical Commission (LTC) and the Finance Committee from developing countries in meetings of the Commission and the Committee.

The movement of the first Voluntary Fund during the year:

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Opening balance	35,419	129,415
Contributions	172,353	27,017
Interest income	587	806
Less: Expenses*	(132,469)	(121,819)
Ending Balance	<u>75,890</u>	<u>35,419</u>

The second Voluntary Trust Fund was established in 2017 for the purposes of defraying the cost of participation of members of the Council in their meetings.

The movement of the second Voluntary Trust Fund during the year:

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Opening balance	20,000	-
Contribution	60,000	20,000
Less: Expenses	(20,862)	-
Ending Balance	<u>59,138</u>	<u>20,000</u>
	<b>US\$</b>	<b>US\$</b>
<u>Reconciliation</u>		
Voluntary Trust Fund 1	75,890	35,419
Voluntary Trust Fund 2	<u>59,138</u>	<u>20,000</u>
	135,028	55,419
Expenses not yet paid to GAF	<u>114,432</u>	<u>-</u>
	<u>249,460</u>	<u>55,419</u>

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

**27. Other funds (continued)**

**(d) Polymetallic Nodules Exploration Application Fees**

There were no additional expenditures attributable to the processing of the applications for exploration of Polymetallic Nodules from China Minmetals Corporation in 2018 (2017: \$38,111), which was credited to the Authority and recognised as miscellaneous income payable to the General Administrative Fund.

	2018 US\$	2017 US\$
Polymetallic Nodules exploration application fees		
Principal	500,000	500,000
Interest	4,672	2,433
Total principal and interest	<u>504,672</u>	<u>502,433</u>
Net amount recognized as miscellaneous income to the Authority brought forward	(422,694)	(384,583)
Net amount recognized as miscellaneous income to the Authority (note 19)	-	-
Miscellaneous income applied to expenses incurred to process applications	-	(38,111)
Total amount miscellaneous income receivable at year end (note 6)	<u>(422,694)</u>	<u>(422,694)</u>
	<u>81,978</u>	<u>79,739</u>

No additional expenditure was incurred related to Cook Island and UK Seabed. During the year, \$413,560 was received by the GAF for expenses incurred in relation to the Cook Island application.

Payment for expenses incurred relating to processing of applications for UK Seabed remained outstanding at year end and an amount of \$445,294 was received by the General Administrative Fund subsequent to year end.

**(e) Polymetallic Sulphides Exploration Application Fees**

There were no additional expenses incurred for Governments of China, India and BGR. The principal and interest remaining for those applications amounted to \$252,184 \$21,172 and \$132,696 respectively. Expenses of \$34,633 relating to India still remain outstanding to the General Administrative Fund.

The additional expenditures attributable to the processing of the applications for exploration Polymetallic Sulphides from the Government of Poland for US\$286 were credited to the Authority and recognized as miscellaneous income payable to the General Administrative Funds (GAF).

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

**27. Other funds (continued)**

**(e) Polymetallic Sulphides Exploration Application Fees (continued)**

	2018 US\$	2017 US\$
Polymetallic Sulphides exploration application fees (Poland)		
Principal	500,000	500,000
Interest	3,263	853
Total principal and interest	<u>503,263</u>	<u>500,853</u>
Net amount recognized as miscellaneous income to the Authority brought forward	(225,435)	(1,417)
Miscellaneous income transferred to the General Administrative Fund bank account in the current year	-	2,685
Net amount recognized as miscellaneous income to the Authority (note 18)	-	(143,342)
Adjustment of Miscellaneous income	5,349	
Miscellaneous income applied to expenses incurred to process applications	<u>286</u>	<u>(83,361)</u>
Total amount miscellaneous income receivable at year end (note 6)	<u>(219,800)</u>	<u>(225,435)</u>
	<u>633,789</u>	<u>576,474</u>

**(f) Cobalt-Rich Ferromanganese Crusts Exploration Application Fees**

The additional expenditures attributable to the processing of the applications for exploration of Cobalt-rich ferromanganese crusts from the Government of Korea in the amount of US\$57,196 were credited to the Authority as miscellaneous income payable to the General Administrative Funds (GAF).

	2018 US\$	2017 US\$
Polymetallic Ferromanganese crusts exploration application fees		
Principal	500,000	500,000
Interest	4,081	1,668
Total principal and interest	<u>504,081</u>	<u>501,668</u>
Net amount recognized as miscellaneous income to the Authority brought forward	(408,636)	(407,410)
Miscellaneous income applied to expenses incurred to process applications	<u>(57,196)</u>	<u>(1,226)</u>
Total amount miscellaneous income receivable at year end (note 6)	<u>465,832</u>	<u>(408,636)</u>
	<u>38,249</u>	<u>93,032</u>

Amounts of \$129,330 and \$18,168, related to processing of application fees for Brazil CPRM Crusts and COMRA Crusts remain in the respective bank accounts.

**INTERNATIONAL SEABED AUTHORITY**  
**General Administration Fund**

Notes to the Financial Statements

**31 December 2018**

(expressed in United States dollars unless otherwise indicated)

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**27. Other funds (continued)**

**(g) Support Trust Fund**

The Support Trust Fund was established in 2018 for the purpose of collecting donations meant to fund various activities in support of the implementation of ISA's mandates.

To date, the Norwegian Agency for Development and Cooperation has contributed \$583,569 to support activities related to African's Deep Seabed Resources Project.

Movements of the Support Trust Fund during the year:

	<b>2018</b>	<b>2017</b>
		<b>US\$</b>
Opening balance	-	-
Contributions	583,569	-
Interest income	17	-
Less: Expenses*	<u>(72,468)</u>	<u>-</u>
Ending Balance	<u>511,118</u>	<u>-</u>

\* Expenses of \$46,153 are still due to be paid to the General Administrative Fund. As a result, the bank balance is \$557,271 (Note 4).

