

INTERNATIONAL SEABED AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in United States Dollars)

International Seabed Authority

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31 December 2018

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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 2019, 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 matters 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 2019, 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 2019, the Authority recorded a liability of \$1.405 million (2018: \$1.405 million) for its post-employment benefit obligation for after service health insurance 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 recorded \$120,000 in 2018, in relation to certain conference events that were held during the current financial year. This resulted in an overstatement of expenses in the prior year and understatement of expenses in the current year.

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 - General Administrative Fund (Continued)

Report on the Audit of the Financial Statements (Continued)

Responsibilities of management and those charged with governance 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.

Those charged with governance are 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 scepticism 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 - General Administrative Fund (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

25 June 2020

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Statement of Financial Position

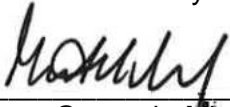
As at 31 December 2019

(expressed in United States dollars unless otherwise indicated)

	Notes	2019 US\$	2018 US\$
CURRENT ASSETS			
Cash and cash equivalents	4	5,602,310	6,158,613
Members assessed contributions receivable	5	1,358,560	903,065
Other receivables	6	280,742	1,314,170
Advances to staff	7	138,013	145,545
Total current assets		<u>7,379,625</u>	<u>8,521,393</u>
NON-CURRENT ASSETS			
Property and equipment	8	665,401	565,677
Intangible assets	9	62,121	29,906
Asset in transit	10	-	258,911
Total non-current assets		<u>727,522</u>	<u>854,494</u>
Total Assets		<u>8,107,147</u>	<u>9,375,887</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Payable and accruals	11	1,672,645	1,081,505
Other provisions	12	381,232	719,288
Advance contributions	13	1,920,702	2,120,382
Repatriation benefits	14	-	43,026
Total current liabilities		<u>3,974,579</u>	<u>3,964,201</u>
NON-CURRENT LIABILITIES			
Repatriation benefits	14	337,790	390,166
Other non-current liabilities	15	1,421,515	1,405,466
Total non-current liabilities		<u>1,759,305</u>	<u>1,795,632</u>
Total liabilities		<u>5,733,884</u>	<u>5,759,833</u>
EQUITY			
Accumulated surplus		3,873,263	5,116,054
Other reserve	15	<u>(1,500,000)</u>	<u>(1,500,000)</u>
Total equity		<u>2,373,263</u>	<u>3,616,054</u>
Total Liabilities and Equity		<u>8,107,147</u>	<u>9,375,887</u>

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

Approved for issue by the International Seabed Authority on 25 June 2020 and signed on its behalf by:


 Secretary General - Michael W. Lodge

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Statement of Financial Performance
Year ended 31 December 2019
(expressed in United States dollars unless otherwise indicated)

	Notes	2019 US\$	2018 US\$
REVENUE			
Contributions:			
Assessed contributions	16	6,750,223	6,618,594
Overhead charges	17	1,740,000	1,269,000
Total contributions and other budgeted income		8,490,223	7,887,594
Other income			
Interest income	18	47,073	20,443
Miscellaneous income	19	205,799	50,428
Total other income		252,872	70,871
Total revenue		8,743,095	7,958,465
EXPENSES			
Administrative expenditure of the secretariat (Section 1.1)	20	6,845,882	6,421,403
Cost of conference services (Section 1.2)	21	2,132,097	1,800,553
Cost of programmes	22	734,432	953,327
Depreciation and amortization	8,9	228,863	150,775
Change in provision for uncollected contribution	5	44,612	(17,005)
Total expenses		9,985,886	9,309,053
Loss for the year		(1,242,791)	(1,350,588)

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Statement of Changes in Equity

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

	Notes	Accumulated Surplus US\$	Other Reserve US\$	Total US\$
Balance at 31 December 2017		6,466,642	(1,500,000)	4,966,642
Loss for the year		(1,350,588)	-	(1,350,588)
Balance at 31 December 2018		5,116,054	(1,500,000)	3,616,054
Loss for the year		(1,242,791)	-	(1,242,791)
Balance at 31 December 2019		3,873,263	(1,500,000)	2,373,263

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Statement of Cash Flows

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

	Notes	2019 US\$	2018 US\$
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		(1,242,791)	(1,350,588)
Adjustments to reconcile surplus to net cash flows from operating activities:			
Depreciation and amortization	8,9	<u>228,863</u>	<u>150,775</u>
Operating cash flows before movements in working capital		(1,013,928)	(1,119,813)
Movements in working capital			
(Increase)/decrease in contributions receivable		(455,495)	114,495
(Increase)/decrease in other receivables		1,033,428	8,298
(Increase)/decrease in advances to staff		7,532	(11,688)
(Increase)/decrease in other assets		-	(258,911)
Increase/(decrease) in other provisions		(338,056)	569,317
Increase/(decrease) in advance contributions		(199,680)	1,408,646
Increase/(decrease) in repatriation benefits		(95,402)	(131,959)
Increase/(decrease) in non-current liabilities		16,049	(94,534)
Increase/(decrease) in payables and accruals		<u>591,140</u>	<u>617,697</u>
Net cash (used in)/provided by operating activities		<u>(454,412)</u>	<u>1,021,548</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment and intangibles	8, 9	<u>(101,891)</u>	<u>(338,848)</u>
Net cash used in investing activities		<u>(101,891)</u>	<u>(338,848)</u>
Net (decrease)/increase in cash and cash equivalents		(556,303)	682,700
Cash and cash equivalents at the beginning of the year		<u>6,158,613</u>	<u>5,475,913</u>
Cash and cash equivalents at the end of the year	4	<u>5,602,310</u>	<u>6,158,613</u>
Non-cash transactions			
Assets in transit transferred to property and equipment		258,911	-

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Statement of Comparison of Budget to Actual Amounts
Year ended 31 December 2019
(expressed in United States dollars unless otherwise indicated)

Budget line	Accounted as per IPSAS Standards			Actuals	Balance	Adjustment to IPSAS		Cashed based figures	
	Original Budget	Transfers approved by the Secretary General from programmes to sections	Revised Budget			Amounts	Comments	Actuals	Balance
Section 1	+								
Sub-section 1	Administrative and conference services expenditures	6,156,736	249,977	6,406,713	6,845,882	-439,169		6,807,100	-400,387
	Administrative expenditures of the Secretariat	3,550,231	-	3,550,231	3,413,636	136,595		3,413,636	136,595
	Established posts	35,412	4,301	39,713	41,840	-2,127		41,840	-2,127
	Gen. temporary assistance	28,564	-	28,564	14,369	14,195		14,369	14,195
	Overtime	15,000	17,917	32,917	29,697	3,220		29,697	3,220
	Consultants (non-programme)	1,314,681	-	1,314,681	2,081,372	-766,691	-122,672	1,958,700	-644,019
	Common staff Costs	53,000	48,048	101,048	55,063	45,985		55,063	45,986
	Training	112,871	12,067	124,938	136,393	-11,455		136,393	-11,454
	Official travel (non-programme)	30,000	1,710	31,710	31,710	-		31,710	-
	BBNJ/Oceans Conference (2020)	78,329	1,000	79,329	87,296	-7,967		87,296	-7,967
	Communications	71,400	-	71,400	69,649	1,751		69,649	1,751
	Library books and supplies	11,626	3,922	15,548	15,505	43		15,505	43
	External printing (20% non-programme)	48,449	16,251	64,700	55,187	9,513		55,187	9,514
	Supplies and materials	15,831	-	15,831	7,129	8,702		7,129	8,702
	Official hospitality	34,969	17,630	52,599	71,897	-19,298		71,897	-19,298
	Information technology	121,000	16,000	137,000	44,639	92,361	61,175	105,814	31,186
	Acquisition of furniture & equipment	-	-	0-	-	-		-	-
	Uncollected Contributions	75,000	19,776	94,776	55,587	39,189		55,587	39,189
	Redesign of Authority website	17,407	169	17,576	21,157	-3,581		21,157	-3,581
	Rental & maintenance of furniture & equipment	58,317	51,796	110,113	108,283	1,830		108,283	1,830
	UN common system	45,787	39,390	85,177	128,279	-43,102		128,279	-43,102
	Miscellaneous services	16,800	-	16,800	23,100	-6,300	-18,000	5,100	11,700
	Audit fees	372,062	-	372,062	346,594	25,468		346,594	25,468
	Building Management	50,000	-	50,000	7,500	42,500	40,715	48,215	1,785
	IPSAS/ERP								
Sub-section 2	Cost of conference services	1,542,000	21,253	1,563,253	2,132,097	-568,844		2,132,097	-568,844
	Salaries UN Staff	9,400	-	9,400	-	9,400		-	9,400
	Printing & supplies	500	-	500	1,089	-589		1,089	-589
	Misc. conference service costs	47,000	-	47,000	124,319	-77,319		124,319	-77,319
	Travel - Staff	291,200	-	291,200	153,499	137,701		153,499	137,701
	Rental of Conference Center	53,400	-	53,400	134,387	-80,987		134,387	-80,987
	Temporary assistance (Meetings)	52,700	-	52,700	49,965	2,735		49,965	2,735
	Rental of Equipment	3,000	-	3,000	31,058	-28,058		31,058	-28,058
	Local transportation	2,800	-	2,800	5,575	-2,775		5,575	-2,775
	Communications	-	-	0	122,735	-122,735		122,735	-122,735
	Meeting Services	455,000	-	455,000	851,299	-396,299		851,299	-396,299
	Documentation	615,700	21,253	636,953	642,870	-5,917		642,870	-5,917
	Reception	11,300	-	11,300	15,301	-4,001		15,301	-4,001
Total Section 1	Administrative and conference services expenditures	7,698,736	271,230	7,969,966	8,977,979	-1,008,013		8,939,197	-969,231

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Statement of Comparison of Budget to Actual Amounts
31 December 2019
(expressed in United States dollars unless otherwise indicated)

<i>Budget line</i>	<i>Accounted as per IPSAS Standards</i>			<i>Actuals</i>	<i>Balance</i>	<i>Adjustment to IPSAS</i>		<i>Cashed based figures</i>	
	<i>Original Budget</i>	<i>Transfers approved by the Secretary General from programmes to sections</i>	<i>Revised Budget</i>			<i>Amounts</i>	<i>Comments</i>	<i>Actuals</i>	<i>Balance</i>
Section 2	Programme expenditures								
Programme 2.1	Development of the regulatory framework for activities in the Area								
Consultants	260,000	-36,000	224,000	190,712	33,288			190,712	33,288
External printing	15,000	-	15,000	2,502	12,498			2,502	12,498
Travel	25,000	-	25,000	106,833	-81,833			106,833	-81,833
Workshops	185,000	-36,750	148,250	25,898	122,352			25,897	122,352
Total Programme 2.1	485,000	-72,750	412,250	325,945	86,305			325,945	86,305
Programme 2.2	Protection of the marine environment								
Consultants	120,000	-20,750	99,250	10,000	89,250			10,000	89,250
External printing	10,000	-	10,000	2,006	7,994			2,006	7,994
Travel	12,000	-	12,000	10,975	1,025			10,975	1,025
Workshops	63,000	-10,000	53,000	13,174	39,826			13,174	39,826
Total Programme 2.2	205,000	-30,750	174,250	36,155	138,095			36,155	138,095
Programme 2.3	Management of contracts								
Consultants	15,500	-6,725	8,775	5,000	3,775			5,000	3,775
External printing	5,000	-	5,000	10,588	-5,588			10,588	-5,588
Travel	16,000	-	16,000	430	15,570			430	15,570
Workshops	75,000	-10,000	65,000	13,140	51,860			13,140	51,860
Total Programme 2.3	111,500	-16,725	94,775	29,158	65,617			29,158	65,617
Programme 2.4	Data management (resource and environment)								
Consultants	140,000	-20,000	120,000	108,352	11,648			108,352	11,648
External printing	-	-	-	-	-			-	-
Travel	-	-	-	-	-			-	-
Workshops	75,000	-18,475	56,525	15,342	41,183			15,342	41,183
Information Technology	-	-	-	10,417	-10,417			10,417	-10,417
Central data repository	-	-	-	-	-			-	-
Maintenance and support	41,500	-	41,500	49,000	-7,500			49,000	-7,500
Total Programme 2.4	256,500	-38,475	218,025	183,111	34,914			183,111	34,914
Programme 2.5	Promotion and encouragement of marine scientific research in the Area								
Consultants	46,435	-6,180	40,255	-	40,255			40,253	40,255
External printing	17,450	0	17,450	966	16,484			966	16,484
Travel	21,505	0	21,505	18,922	2,583			18,922	2,583
Workshops	105,825	-20,000	85,825	17,950	67,875			17,950	67,875
Training	50,000	-10,000	40,000	-	40,000			-	40,000
Total Programme 2.5	241,215	-36,180	205,035	37,838	167,197			37,838	167,197
Programme 2.6	Outreach activities								
Consultants	60,000	-	60,000	32,371	27,629			32,371	27,629
External printing	39,000	-6,000	33,000	3,285	29,715			3,285	29,715
Travel	15,000	-	15,000	623	14,377			623	14,377
Workshops	60,000	-20,100	39,900	14,617	25,283			14,617	25,283
Total Programme 2.6	174,000	-26,100	147,900	50,896	97,004			50,896	97,004

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Statement of Comparison of Budget to Actual Amounts

31 December 2019

(expressed in United States dollars unless otherwise indicated)

<i>Budget line</i>	<i>Accounted as per IPSAS Standards</i>			<i>Actuals</i>	<i>Balance</i>	<i>Adjustment to IPSAS</i>		<i>Cashed based figures</i>	
	<i>Original Budget</i>	<i>Transfers approved by the Secretary General from programmes to sections</i>	<i>Revised Budget</i>			<i>Amounts</i>	<i>Comments</i>	<i>Actuals</i>	<i>Balance</i>
Programme 2.7	Regional environment management programmes								
Consultants	75,000	-20,250	54,750	10,000	44,750			10,000	44,750
External printing	30,000	-	30,000	553	29,447			553	29,447
Travel	30,000	-	30,000	11,828	18,172			11,828	18,172
Workshops	200,000	-30,000	170,000	48,948	151,052			48,949	121,052
Total Programme 2.7	335,000	-50,250	284,750	71,229	213,421			71,330	213,421
Total Section 2	Programme expenditures								
	1,808,215	-271,230	1,536,985	734,432	802,553			734,432	802,553
Total administrative, conference services and programmes expenditures	9,506,951	-	9,506,951	9,712,411	-205,460			9,673,629	-166,678

INTERNATIONAL SEABED AUTHORITY

General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

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 2019 (2018: 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 44 Posts (2018: 40 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 29 contracts for exploration as of 31 December 2019 (27 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.

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

1. The International Seabed Authority (Continued)

- (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.
- (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.

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

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).

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
- Support Trust Fund

The status of these funds is set out in Note 25 and are unaudited.

During the year, the Authority closed the bank accounts related to the Polymetallic Nodules Exploration Application Fees, Sulphides Exploration Application Fees and Cobalt-Rich Ferromanganese Crusts Exploration Application Fees and have included these in the GAF accounts and recorded as payables. Refer to Note 6(a).

(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 (2018: \$1.4 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.

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.1. Basis of preparation

(c) Financial period

The period covered by the financial statements is the year ended 31 December 2019.

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 2019.

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.

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.4 Financial Instruments (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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

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 5.

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.

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.4 Financial Instruments (continued)

Financial liabilities (continued)

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.

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.

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.6 Revenue (continued)

(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.

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

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.7 Property and Equipment (continued)

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.

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.

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.10 Provision and Contingent Liabilities (continued)

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.

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.

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.11 Employee Benefits (continued)

(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.

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.

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

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 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 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.

- (b) New standards which are not yet effective

- **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

Year ended 31 December 2019

(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:

	2019 US\$	2018 US\$
Cash and bank balances	4,484,563	5,007,896
Short-term deposits	1,117,747	1,150,717
Cash and cash equivalents	<u>5,602,310</u>	<u>6,158,613</u>

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

(b) Other funds:

Funds amounting to US\$4,927,480 (2018: US\$7,523,030) 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:

	Notes	2019 US\$	2018 US\$
Working capital fund	25.a	629,038	580,645
Endowment fund	25.b	3,674,061	3,609,362
Voluntary Trust Funds	25.c	104,950	249,460
Polymetallic Nodules Exploration Application fees (Note 2.1(a), 6(a))		-	965,402
Polymetallic Sulphides Exploration Application fees (Note 2.1(a), 6(a))		-	909,311
Cobalt-Rich Ferromanganese Crust Exploration Application fees (Note 2.1(a), 6(a))		-	651,579
Support Trust Fund	25.d	519,431	557,271
		<u>4,927,480</u>	<u>7,523,030</u>

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

5. Members assessed contributions receivable

	2019	2018
	US\$	US\$
Receivables from member states:		
Current year's assessment	781,535	673,560
Prior year's assessment	684,558	292,425
Less Provision for uncollected receivables for the current year (See (a))	(39,077)	(33,678)
Less Provisions for uncollected receivables for the previous years (See (b))	(68,456)	(29,242)
	<u>1,358,560</u>	<u>903,065</u>

Movement in allowance for doubtful contribution

	2019	2018
	US\$	US\$
At 1 January	62,920	79,925
Prior years' contributions received in the year	-	-
Provision for current year's uncollected receivables	44,613	(17,005)
Closing balance	<u>107,533</u>	<u>62,920</u>

As at 31 December 2019, the ageing analysis of the members associated contribution receivables is as follows:

As at 31 December 2019	Past due but not impaired				Gross receivables before provision Total (US\$)
	Neither past due nor impaired	< 2 years	Between 2 and 5 years	More than 5 years	
<i>Members associated contribution receivables</i>	781,535	462,638	111,138	110,782	1,466,093

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

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

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

5. Members assessed contributions receivable (continued)

- a) Seventy-five member states had not fully paid their 2019 assessed contribution amounts as of 31 December 2019 (Ninety-two members in 2018 with regard to 2018 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 1998-2018 assessed contribution amounts as of 31 December 2019 (fifty-eight members in 2017 with regard to 1998-2017 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	2019 US\$	2018 US\$
Polymetallic Nodules Exploration Application fees	6(a)	-	422,694
Polymetallic Sulphides Exploration Application fees	6(a)	-	255,849
Cobalt-Rich Ferromanganese Crust Exploration Application fees	6(a)	-	465,832
Contribution – overhead		99,000	47,000
Others		181,742	122,795
		<u>280,742</u>	<u>1,314,170</u>

- (a) The Authority has now included the bank accounts related to application fees with the GAF accounts. Previously receivable amounts were cleared during the year with the cash at bank and any new applications are recorded as payables from which expenses incurred are offset.

7. Advances to staff

	2019 US\$	2018 US\$
J\$ payments due from staff	29	4,952
U\$ payments due from staff	12,057	4,269
Other advances	125,927	136,324
	<u>138,013</u>	<u>145,545</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
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Notes to the Financial Statements
Year ended 31 December 2019
(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\$
Cost:						
1 January 2018	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
Addition	-	24,451	258,911	36,725	-	320,087
31 December 2019	161,787	245,947	494,783	247,737	216,049	1,366,303
Depreciation:						
1 January 2018	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
Depreciation charges	15,393	47,299	88,489	47,577	21,605	220,363
31 December 2019	111,065	168,203	240,965	159,063	21,605	700,902
Net Book Values:						
31 December 2019	50,722	77,744	253,817	88,674	194,444	665,401
31 December 2018	66,115	100,592	83,395	99,526	216,049	565,677

INTERNATIONAL SEABED AUTHORITY
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Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

9. Intangible assets

	US\$
Cost:	
1 January 2018	11,960
Addition	23,756
31 December 2018	<u>35,716</u>
Addition	40,715
31 December 2019	<u>76,431</u>
Amortization:	
1 January 2018	814
Amortization for the year	4,996
31 December 2018	<u>5,810</u>
Amortization for the year	8,500
31 December 2019	<u>14,310</u>
Net Book Value:	
31 December 2019	<u>62,121</u>
31 December 2018	<u>29,906</u>

10. Assets in transit

Assets in transit comprise of assets which are the subject of an open purchase order, partially or fully paid to the suppliers, on high seas or ready for shipment. As at 31 December 2018, the assets in transit totaled \$258,911 and were transferred to property and equipment during the year.

11. Payables and accruals

	2019 US\$	2018 US\$
United Nations Joint Staff Pension fund contributions amount payable	929	922
Annual leave liability	448,772	399,460
Accrued home leave	125,663	224,137
Application fees payable	961,140	432,651
Other accounts payable and accruals	136,141	24,335
	<u>1,672,645</u>	<u>1,081,505</u>

12. Other provisions

	2019 US\$	2018 US\$
These are services rendered and provided for by 31 December for which the related invoices had not been received as of that date	<u>381,232</u>	<u>719,288</u>

INTERNATIONAL SEABED AUTHORITY
General Administration Fund

Notes to the Financial Statements

Year ended 31 December 2019

(expressed in United States dollars unless otherwise indicated)

13. Advance contributions

	2019 US\$	2018 US\$
These amounts represent the following year's assessed contributions amount received during the year	<u>1,920,702</u>	<u>2,120,382</u>

14. Repatriation benefits

	2019 US\$	2018 US\$
Entitlements	<u>337,790</u>	<u>433,192</u>

Repatriation benefits include repatriation grant, travel and removal costs on staff member's separation from service, the provisions made annually to be paid upon separation of staff members.

15. Other non-current liabilities

	2019 US\$	2018 US\$
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	1,405,466	1,405,466
Other	<u>16,049</u>	<u>-</u>
	<u>1,421,515</u>	<u>1,405,466</u>

16. Assessed contribution income

	2019 US\$	2018 US\$
The amounts represent the net assessed contributions from member states	<u>6,750,223</u>	<u>6,618,594</u>

17. Overhead charges

	2019 US\$	2018 US\$
These amounts represent the annual charge of US\$60,000 per contractor for 29 contractors (2018: US\$ 47,000 for 27 contractors)	<u>1,740,000</u>	<u>1,269,000</u>

INTERNATIONAL SEABED AUTHORITY
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Notes to the Financial Statements

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(expressed in United States dollars unless otherwise indicated)

18. Interest income

	2019	2018
	US\$	US\$
Interest income from:		
Other General Administrative Fund bank accounts	36,355	12,664
Contractor's annual overhead bank accounts	7,789	5,542
Contractors' application for extension fees bank accounts	2,929	2,237
	<u>47,073</u>	<u>20,443</u>

19. Miscellaneous income

	2019	2018
	US\$	US\$
Contractors' Application processing fees		
Polymetallic sulphides	-	-
Exchange gain	773	25
Others	205,026	50,403
	<u>205,799</u>	<u>50,428</u>

20. Administrative Expenditure of the Secretariat (Section 1.1)

	2019	2018
	US\$	US\$
These amounts include all costs related staff as well as the costs relating to the substantive areas of the Authority's work	<u>6,845,882</u>	<u>6,421,403</u>

21. Conference servicing costs (Section 1.2)

	2019	2018
	US\$	US\$
These costs relate to expenses on conference servicing under Section 1.2	<u>2,132,097</u>	<u>1,800,553</u>

INTERNATIONAL SEABED AUTHORITY
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Notes to the Financial Statements

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(expressed in United States dollars unless otherwise indicated)

22. Costs of programmes (Section 2)

	2019	2018
	US\$	US\$
Development of the regulatory framework for activities in the Area (Programme 2.1)	325,945	335,754
Protection of the marine environment (Programme 2.2)	36,155	176,395
Management of contracts (Programme 2.3)	29,158	29,636
Data management (resource and environment) (Programme 2.4)	183,111	205,799
Promotion and encouragement of marine scientific research in the Area (Programme 2.5)	37,838	86,037
Outreach activities (Programme 2.6)	50,896	119,706
Regional environment management programmes (Programme 2.7)	<u>71,329</u>	<u>-</u>
	<u><u>734,432</u></u>	<u><u>953,327</u></u>

23. 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:

	2019	2018
	US\$	US\$
Compensation and post adjustments	859,990	837,067
Other entitlements	74,646	75,134
Pension plan and health benefits	171,282	165,057
Total remuneration	<u>1,105,918</u>	<u>1,077,258</u>
Number of individuals	<u>4</u>	<u>4</u>

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24. 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:

	2019	2018
	US\$	US\$
Members assessed contributions receivable	1,358,560	903,065
Other receivables	280,742	1,314,170
Cash and cash equivalents	5,602,310	6,158,613
	<u>7,241,612</u>	<u>8,375,848</u>

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.

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Year ended 31 December 2019

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24. Financial risk management (continued)

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.

25. Other funds - Unaudited

(a) Working Capital Fund

Contributions to the Authority's Working Capital Fund as at 31 December 2019 totaled US\$629,652 (2018: US\$606,704). 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\$30,348 (2018: US\$53,296). No funds were drawn from the Working Capital Fund for operational purposes in 2019 and 2018. Deposits of \$964 (2018 - \$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 \$3,264 (2018 - \$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.

	2019	2018
	US\$	US\$
Opening balance	3,572,050	3,532,897
Contributions	25,251	5,000
Interest income	105,788	66,653
Less: expenses	(27,632)	(32,500)
Ending balance	<u>3,675,457</u>	<u>3,572,050</u>

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25. Other funds - Unaudited (continued)

(b) Endowment Fund (continued)

Net reconciling items of \$1,396 (2018 - \$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.

(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:

	2019	2018
	US\$	US\$
Opening balance	75,890	35,419
Contributions	52,510	172,353
Interest income	1,308	587
Less: Expenses*	(142,112)	(132,469)
Ending Balance	<u>(12,404)</u>	<u>75,890</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:

	2019	2018
	US\$	US\$
Opening balance	59,138	20,000
Contribution	7,502	60,000
Less: Expenses	(36,407)	(20,862)
Ending Balance	<u>30,233</u>	<u>59,138</u>

INTERNATIONAL SEABED AUTHORITY
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25. Other funds (continued)

(c) Voluntary Trust Fund (continued)

The third Voluntary Trust Fund was established in 2019 for the purpose of providing the requisite funds related to the work of the Special Representative of the Secretary-General for the Enterprise (ISBA/25/C/16).

	2019	2018
	US\$	US\$
Opening balance	-	-
Contribution	27,316	-
Less: Expenses	(23,095)	-
Ending Balance	<u>4,221</u>	<u>-</u>
	US\$	US\$
<u>Reconciliation</u>		
Voluntary Trust Fund 1	(12,404)	75,890
Voluntary Trust Fund 2	30,233	59,138
Voluntary Trust Fund 3	<u>4,221</u>	<u>-</u>
	22,050	135,028
Expenses not yet paid to GAF	<u>82,900</u>	<u>114,432</u>
Balance in bank account	<u>104,950</u>	<u>249,460</u>

(d) 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 \$236,812 (2018 - \$583,569) to support activities related to African's Deep Seabed Resources Project.

Movements of the Support Trust Fund during the year:

	2019	2018
	US\$	US\$
Opening balance	511,118	-
Contributions	236,812	583,569
Interest income	275	17
Less: expenses	(228,774)	(72,468)
Ending balance	<u>519,431</u>	<u>511,118</u>