

INTERNATIONAL SEABED AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in United States Dollars)

International Seabed Authority

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Year ended 31 December 2020

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Ernst & Young Chartered Accountants
8 Olivier Road, Kingston 8
Jamaica W.I.

Tel: 876 925 2501
Fax: 876 755 0413
<http://www.ey.com>

INDEPENDENT AUDITOR'S REPORT

To the Members of International Seabed Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of International Seabed Authority Fund (the "Authority") which comprise the statement of financial position as at 31 December 2020, the statements of financial performance, changes in net assets, 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, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2020, 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 Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards) ("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 opinion.

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.

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

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.
- 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.



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)

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

15 June 2021

INTERNATIONAL SEABED AUTHORITY

Statement of Financial Position


As at 31 December 2020

(expressed in United States dollars unless otherwise indicated)

	Notes	2020 US\$	Restated 2019 US\$	Restated 2018 US\$
CURRENT ASSETS				
Cash and cash equivalents	4	9,991,377	5,602,310	6,158,613
Members assessed contributions receivable	5	1,463,293	1,358,560	903,065
Other receivables	6	88,907	280,742	1,314,170
Advances to staff	7	111,897	138,013	145,545
Total current assets		<u>11,655,474</u>	<u>7,379,625</u>	<u>8,521,393</u>
NON-CURRENT ASSETS				
Property and equipment	8	595,024	665,401	565,677
Intangible assets	9	47,218	62,121	29,906
Asset in transit		-	-	258,911
Total non-current assets		<u>642,242</u>	<u>727,522</u>	<u>854,494</u>
Total Assets		<u>12,297,716</u>	<u>8,107,147</u>	<u>9,375,887</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Payable and accruals	10	1,588,554	1,672,645	1,081,505
Other provisions	11	204,893	381,232	719,288
Advance contributions	12	15,163	1,920,702	2,120,382
Repatriation benefits	13	-	-	43,026
Total current liabilities		<u>1,808,610</u>	<u>3,974,579</u>	<u>3,964,201</u>
NON-CURRENT LIABILITIES				
Repatriation benefits	13	323,741	337,790	390,166
After service health insurance defined benefit	14	2,203,000	2,140,000	1,910,000
Other liabilities		-	16,049	-
Total non-current liabilities		<u>2,526,741</u>	<u>2,493,839</u>	<u>2,300,166</u>
Total liabilities		<u>4,335,351</u>	<u>6,468,418</u>	<u>6,264,367</u>
NET ASSETS				
Accumulated surplus: General Administration Fund (GAF)		4,289,570	3,778,729	5,021,520
Accumulated surplus: Non-general Administration Fund (Non-GAF)		5,875,795	-	-
Other reserve	14	(2,203,000)	(2,140,000)	(1,910,000)
Total net assets		<u>7,962,365</u>	<u>1,638,729</u>	<u>3,111,520</u>
Total Liabilities and Net Assets		<u>12,297,716</u>	<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 15 June 2021 and signed on its behalf by:


Secretary General - Michael W. Lodge

INTERNATIONAL SEABED AUTHORITY

Statement of Financial Performance

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

	Notes	2020 US\$	Restated 2019 US\$
REVENUE			
Contributions:			
Assessed contributions	15	6,751,516	6,750,223
Voluntary contributions	24	470,546	-
Assessed working capital	24	26,623	-
Other		1,232	-
Overhead charges	16	1,693,000	1,740,000
Total contributions and other budgeted income		8,942,917	8,490,223
Other income:			
Interest income	17	162,507	47,073
Miscellaneous income	18	672,360	205,799
Cost recovery charges	24	427,308	-
Total other income		1,262,175	252,872
Total revenue		10,205,092	8,743,095
EXPENSES			
Administrative expenditure of the secretariat (Section 1.1)			
	19	6,514,229	6,845,882
Cost of conference services (Section 1.2)	20	1,009,683	2,132,097
Cost of programmes	21	684,886	734,432
Support Trust Fund expenditure	24	137,751	-
Voluntary Trust Fund expenditure	24	34,070	-
Depreciation and amortization	8,9	216,267	228,863
Provision for uncollected contribution	5	195,448	44,612
After service health insurance benefit charge (net of contributions)	14	52,000	59,000
Total expenses		8,844,334	10,044,886
SURPLUS (LOSS) FOR THE YEAR		1,360,758	(1,301,791)
Classified as:			
Surplus/(loss) for the year: GAF		510,841	(1,242,791)
Surplus for the year: Non GAF		901,917	-
Other reserve		(52,000)	(59,000)
		1,360,758	(1,301,791)

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

INTERNATIONAL SEABED AUTHORITY

Statement of Changes in Net Assets

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

	Notes	Accumulated Surplus: GAF US\$	Accumulated Surplus: Non- GAF US\$	Other Reserve US\$	Total US\$
Balance at 1 January 2019		5,116,054	-	(1,500,000)	3,616,054
Restatement adjustment – IPSAS 39 Employee Benefits	2.13	(94,534)	-	(410,000)	(504,534)
Balance at 1 January 2019 (restated)		5,021,520	-	(1,910,000)	3,111,520
Loss for the year (restated)		(1,242,791)	-	(59,000)	(1,301,791)
Remeasurement losses on after service health benefit (restated)	14(iv)	-	-	(171,000)	(171,000)
Balance at 31 December 2019		3,778,729	-	(2,140,000)	1,638,729
Funds for special projects	4(a)	-	4,973,878	-	4,973,878
Surplus for the year		510,841	901,917	(52,000)	1,360,758
Remeasurement losses on after service health benefit	14(iv)	-	-	(11,000)	(11,000)
Balance at 31 December 2020		4,289,570	5,875,795	(2,203,000)	7,962,365

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

INTERNATIONAL SEABED AUTHORITY

Statement of Cash Flows

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

	Notes	2020 US\$	Restated 2019 US\$
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus/(Loss) for the year		1,360,758	(1,301,791)
Adjustments to reconcile surplus/(loss) to net cash flows from operating activities:			
Charge recognised in respect of after service health insurance	14(iv)	155,000	159,000
Depreciation and amortization	8,9	216,267	228,863
Adjustment to property and equipment	8	(6,976)	-
Adjustment to intangible assets	9	(396)	-
Operating cash flows before movements in working capital		1,724,653	(913,928)
Movements in working capital			
Increase in contributions receivable		(104,733)	(455,495)
Decrease in other receivables		191,835	1,033,428
Decrease in advances to staff		26,116	7,532
Decrease in other provisions		(176,339)	(338,056)
Decrease in advance contributions		(1,905,539)	(199,680)
Decrease in repatriation benefits		(14,049)	(95,402)
(Decrease)/Increase in non-current liabilities		(16,049)	16,049
(Decrease)/Increase in payables and accruals		(84,091)	591,140
Contributions paid	14(iii)	(103,000)	(100,000)
Net cash used in operating activities		(461,196)	(454,412)
CASH FLOW FROM INVESTING ACTIVITY			
Acquisition of property and equipment and intangibles	8,9	(123,615)	(101,891)
Net cash used in investing activity		(123,615)	(101,891)
Net decrease in cash and cash equivalents		(584,811)	(556,303)
Cash and cash equivalents at the beginning of the year		5,602,310	6,158,613
Funds for special project	4	4,973,878	-
Cash and cash equivalents at the end of the year	4	9,991,377	5,602,310

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

INTERNATIONAL SEABED AUTHORITY

Statement of Comparison of Budget to Actual Amounts

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

Budget line	Accounted as per IPSAS Standards			Actuals	Balance	Adjustments to IPSAS		Cashed based figures	
	Original Budget	Transfers approved by the Secretary General to sections	Revised Budget			Amounts	Comments	Actuals	Balance
Section 1 +									
Sub-section1									
Administrative and conference services expenditures	5,996,575	238,065	6,234,640	6,514,229	(279,589)	395,162		6,119,067	115,573
Administrative expenditures of the Secretariat	3,550,231	-	3,550,231	3,455,584	94,647	6,000		3,449,584	100,647
Established posts	1,314,681		1,432,746	2,025,202	(592,456)	332,339	Home & Annual Leave, Repatriation grant	1,682,957	(250,211)
Common Staff Costs		118,065	1,432,746	2,025,202	(592,456)	9,906	Provisions		
Overtime	28,564	-	28,564	10,400	18,164	-		10,400	18,164
Consultant Fees	15,000	20,000	35,000	49,485	(14,485)	1,400	Provisions	48,085	(13,085)
General Temporary Assistant	35,412	-	35,412	11,781	23,631	-		11,781	23,631
Training	53,000	-	53,000	48,270	4,730	-		48,270	4,730
Official Business Travel	112,871	-	112,871	22,103	90,768	-		22,103	90,768
BBNJ/Oceans Conference	30,000	-	30,000	-	30,000	-		-	30,000
Communications	78,329	-	78,329	68,360	9,969	2,623	Provisions	65,737	12,592
External Printing	11,626	-	11,626	2,665	8,961	-		2,665	8,961
Library	71,400	-	71,400	54,783	16,617	-		54,783	16,617
Supplies and Materials	48,449	-	48,449	41,240	7,209	5,397	Provisions	35,843	12,606
Official Hospitality	15,831	-	15,831	8,397	7,434	3,020	Provisions	5,377	10,454
Information Technology	34,969	46,000	80,969	70,896	10,073	-		70,896	10,073
Acquisition of Furniture and Equipment	55,000	-	55,000	28,801	26,199	1,558	Provision	27,243	27,757
Rental & Maintenance of Furniture & Equipment	17,407	-	17,407	10,257	7,150	150	Provision	10,107	7,300
UN Common System	58,317	-	58,317	95,368	(37,051)	2,407	Provision	92,961	(34,644)
Miscellaneous Services	45,787	35,000	80,787	45,294	35,493	25,629	Provision	19,665	61,122
Audit Fees	17,640	-	17,640	204	17,436	4,608	Provision	(4,404)	22,044
Building Management	372,061	9,000	381,061	416,035	(34,974)	-		416,035	(34,974)
IPSAS/ERP related	30,000	10,000	40,000	49,104	(9,104)	125	Provision	48,979	(8,979)

INTERNATIONAL SEABED AUTHORITY

Statement of Comparison of Budget to Actual Amounts

Year Ended 31 December 2020

(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>Adjustments to IPSAS</i>		<i>Cashed based figures</i>		
	<i>Original Budget</i>	<i>Transfers approved by the Secretary General to sections</i>	<i>Revised Budget</i>			<i>Amounts</i>	<i>Comments</i>	<i>Actuals</i>	<i>Balance</i>	
Section 1	+									
Sub-section 2	Administrative and conference services expenditures									
	Cost of conference services	1,542,000	-	1,542,000	1,009,683	532,317	14,364		995,319	546,681
	United Nations Staff Salaries	9,400	-	9,400	-	9,400	-		-	9,400
	Communication, Press, Media	-	-	-	28,538	(28,538)	-		28,538	(28,538)
	Printing and Supplies	500	-	500	3,736	(3,236)	-		3,736	(3,236)
	General Temporary Assistant	52,700	-	52,700	20,087	32,613	-		20,087	32,613
	Staff Travel	291,200	-	291,200	63,255	227,945	-		63,255	227,945
	Rental of Conference Centre	53,400	-	53,400	35,298	18,102	-		35,298	18,102
	Local Transportation	2,800	-	2,800	2,358	442	-		2,358	442
	Miscellaneous Conference Service Costs	47,000	-	47,000	5,337	41,663	450	Provisions	4,887	42,113
	Rental of Equipment	3,000	-	3,000	2,971	29	-		2,971	29
	Meeting Services	455,000	-	455,000	481,920	(26,920)	-		481,920	(26,920)
	Documentation	615,700	-	615,700	364,798	250,902	13,914	Provisions	350,884	264,816
	Reception	11,300	-	11,300	1,385	9,915	-		1,385	9,915
Total Section 1	Administrative and conference services expenditures	7,538,575	238,065	7,776,640	7,523,912	252,728	409,526		7,114,386	662,254

INTERNATIONAL SEABED AUTHORITY

Statement of Comparison of Budget to Actual Amounts Year Ended 31 December 2020 (expressed in United States dollars unless otherwise indicated)

<i>Budget line</i>	<i>Accounted as per IPSAS Standards</i>			<i>Actuals</i>	<i>Adjustments to IPSAS</i>			<i>Cashed based figures</i>	
	<i>Original Budget</i>	<i>Transfers approved by the Secretary General to sections</i>	<i>Revised Budget</i>		<i>Balance</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 of activities in the Area								
Consultants	40,000	-	40,000	64,244	(24,244)	26,200	Provisions	38,044	1,956
External Printing	-	-	-	1,307	(1,307)	-		1,307	(1,307)
Travel	25,000	-	25,000	3,254	21,746	-		3,254	21,746
Workshops	190,000	(51,000)	139,000	144,237	(5,237)	-		144,237	(5,237)
Total: Programme 2.1	255,000	(51,000)	204,000	213,042	(9,042)	26,200		186,842	17,158
Programme 2.2	Protection of the marine environment								
Consultants	120,000	-	120,000	78,831	41,169	10,000	Provisions	68,831	51,169
External Printing	10,000	-	10,000	1,464	8,536	-		1,464	8,536
Travel	12,000	(5,316)	6,684	6,342	342	-		6,342	342
Workshops	63,000	(35,684)	27,316	45,722	(18,406)	-		45,722	(18,406)
Total: Programme 2.2	205,000	(41,000)	164,000	132,359	31,641	10,000		122,359	41,641
Programme 2.3	Management of contracts								
Consultants	5,000	-	5,000	27,844	(22,844)	9,000	Provisions	18,844	(13,844)
External Printing	5,000	-	5,000	7,294	(2,294)	-		7,294	(2,294)
Travel	16,000	(6,100)	9,900	-	9,900	-		-	9,900
Workshops	5,000	-	5,000	2,134	2,866	-		2,134	2,866
Total: Programme 2.3	31,000	(6,100)	24,900	37,272	(12,372)	9,000		28,272	(3,372)
Programme 2.4	Data management (resource and environment)								
Consultants	-	-	-	8,449	(8,449)	-		8,449	(8,449)
Workshops	75,000	(23,300)	51,700	-	51,700	-		-	51,700
Information Technology	-	-	-	13,055	(13,055)	-		13,055	(13,055)
Central Data Repository	-	-	-	21,567	(21,567)	-		21,567	(21,567)
Maintenance and Support	41,500	-	41,500	61,421	(19,921)	-		61,421	(19,921)
Total: Programme 2.4	116,500	(23,300)	93,200	104,492	(11,292)	-		104,492	(11,292)

INTERNATIONAL SEABED AUTHORITY

Statement of Comparison of Budget to Actual Amounts

Year Ended 31 December 2020

(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>Adjustments to IPSAS</i>		<i>Cashed based figures</i>	
	<i>Original Budget</i>	<i>Transfers approved by the Secretary General to sections</i>	<i>Revised Budget</i>			<i>Amounts</i>	<i>Comments</i>	<i>Actuals</i>	<i>Balance</i>
Section 2	Programme expenditures								
Programme 2.5	Promotion and encouragement of marine scientific research in the Area								
Consultants	34,000	-	34,000	13,623	20,377	1,240	Provisions	12,383	21,617
External Printing	33,000	-	33,000	-	33,000	-		-	33,000
Travel	55,000	(36,565)	18,435	2,232	16,203	-		2,232	16,203
Workshops	10,825	-	10,825	27,995	(17,170)	27,995	Provisions	-	10,825
Training	50,000	-	50,000	-	50,000	-		-	50,000
Total: Programme 2.5	182,825	(36,565)	146,260	43,850	102,410	29,235		14,615	131,645
Programme 2.6	Outreach Activities								
Consultants	-	-	-	32,392	(32,392)	12,800	Provisions	19,592	(19,592)
External Printing	20,000	-	20,000	17,149	2,851	450	Provisions	16,699	3,301
Travel	15,000	(10,000)	5,000	-	5,000	-		-	5,000
Workshops	30,000	(3,100)	26,900	4,233	22,667	354	Provisions	3,879	23,021
Total: Programme 2.6	65,000	(13,100)	51,900	53,774	(1,874)	13,604		40,170	11,730
Programme 2.7	Regional environment management programmes								
Consultants	75,000	-	75,000	49,952	25,048	16,667	Provisions	33,285	41,715
External Printing	30,000	(10,000)	20,000	8,692	11,308	-		8,692	11,308
Travel	30,000	(10,000)	20,000	1,130	18,870	-		1,130	18,870
Workshops	200,000	(47,000)	153,000	40,323	112,677	15,000	Provisions	25,323	127,677
Total: Programme 2.7	335,000	(67,000)	268,000	100,097	167,903	31,667		68,430	199,570
Total Section 2	Programme expenditures	1,190,325	(238,065)	952,260	684,886	267,374	119,706	565,180	387,080
Total administrative, conference services and programmes expenditures		8,728,900	-	8,728,900	8,208,798	520,102	529,232	7,679,566	1,049,334

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(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 2020 (2019: 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 (2019: 44 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 2020 (29 contracts as at 31 December 2019). 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

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

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).

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

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.1. Basis of preparation (continued)

(a) Accounting convention (continued)

Up to 2019, the financial statements reflected the assets, liabilities, and transactions relating to the General Administrative Fund only. The Authority also administers the following funds:

- Working Capital Fund
- Endowment Fund
- Voluntary Trust Fund
- Support Trust Fund
- Cost Recovery Fund

Following the implementation of Enterprise Reporting System (ERP) in 2020, the above funds are now reported in the Authority's accounting records. Accordingly, the bank accounts related to these funds were also captured in the accounting records so the financial statements for the years ended 31 December 2020 and 2019 are not comparative. The status of these funds is set out in Note 24.

During the year, the Authority closed certain GAF accounts with Chase JPMorgan and Scotia Bank and consolidated these into other GAF current accounts.

(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 14, the Authority operates provides post-retirement medical benefits. The amounts shown in the statement of financial position as a liability of approximately \$2.203 million (2019: \$2.140 million) in respect of the post-retirement medical benefit are subject to estimates in respect of periodic costs which net costs would be dependent on inflation rates and rates of increases in medical costs for the post-retirement medical plan. External actuaries are contracted by the Authority in this regard.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date.

The discount rates which are used to determine the present value of estimated cash outflows expected to be required to settle any future medical obligation are determined at the end of each reporting period by the contracted external actuaries. The Authority's defined benefit obligation is discounted at a rate set by reference to long term yields at the end of the reporting period on high quality corporate bonds or, in their absence, certain Government securities. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of the bonds include the issue size of the bonds and the quality of the bonds.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.1. Basis of preparation (continued)

(b) Use of estimates and assumptions (continued)

Judgement is also exercised in determining the proportionate share of the health obligation and cost as well as the extent that the surplus or deficit in the plan may affect the future contributions to the plan.

Details of sensitivity analyses in respect of the post-retirement medical benefits are disclosed at Note 14(vi).

(c) Financial period

The period covered by the financial statements is the year ended 31 December 2020.

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 recognized 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 2020.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

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.

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.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.4 Financial Instruments (continued)

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.

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 20% (2019: 10%) for previous years.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.6 Revenue (continued)

(a) Revenue from exchange transactions (continued)

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.

(b) 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.

(c) 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\$359,185 (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.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.7 Property and Equipment (continued)

Depreciation is calculated using the straight-line method in order to spread the expenses over the estimated useful life. 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 is set at five (5) years. Amortization is calculated using the straight-line method 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 recognized immediately in the statement of financial performance.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

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.

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

Notes to the Financial Statements

Year ended 31 December 2020

(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 organization 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 39. 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

Notes to the Financial Statements

Year ended 31 December 2020

(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.

2.13 Restatement of comparative financial information

Where necessary comparative figures have been reclassified to conform with changes in presentation in the current year.

Change in accounting policy

During 2020 the Authority engaged an actuary to perform a valuation of the post-employment benefit obligation for after service health insurance in accordance with IPSAS 39 - Accounting for Employee Benefits resulting in a net defined benefit liability of \$2.203 million as at 31 December 2020, \$2.140 million as at 31 December 2019 and \$1.910 million as at 31 December 2018.

The effects of the actuarial valuation of after service health insurance were updated in the financial statements.

The 2019 and 2018 figures were also restated for comparative purposes.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (continued)

2.13 Restatement of comparative financial information (continued)

Change in accounting policy (continued)

Impact of changes on the statement of financial position

	2019 As Previously Stated US\$	Effect of Restatement US\$	2019 Restated US\$	2018 As Previously Stated US\$	Effect of Restatement US\$	2018 Restated US\$
ASSETS						
Non-current assets	727,522	-	727,522	854,494	-	854,494
Current assets	7,379,625	-	7,379,625	8,521,393	-	8,521,393
Total assets	8,107,147	-	8,107,147	9,375,887	-	9,375,887
LIABILITIES AND NET ASSETS						
Current liabilities	3,974,579	-	3,974,579	3,964,201	-	3,964,201
Non-current liabilities:						
Repatriation benefits	337,790	-	337,790	390,166	-	390,166
After service health insurance defined benefit	1,405,466	734,534	2,140,000	1,405,466	504,534	1,910,000
Other liabilities	16,046	-	16,049	-	-	-
Net Assets	2,373,263	(734,534)	1,638,729	3,616,054	(504,534)	3,111,520
Total Liabilities and Net Assets	8,107,144	-	8,107,147	9,375,887	-	9,375,887

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (continued)

2.13 Restatement of comparative financial information (continued)

Change in accounting policy (continued)

Impact of changes on the statement of comprehensive income

	2019 As previously restated US\$	Restatement adjustment	2019 Restated US\$
REVENUE	8,743,095	-	8,743,095
EXPENSES			
Administrative expenditure of the secretariat	6,845,882	59,000	6,904,882
Cost of conference services	2,132,097	-	2,132,097
Cost of programmes	734,432	-	734,432
Depreciation and amortization	228,863	-	228,863
Provision for uncollected contribution	44,612	-	44,612
Total expenses	9,985,886	59,000	10,044,886
Loss for the year	(1,242,791)	(59,000)	(1,301,791)

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

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. There were no IPSAS that were adopted during the year.

(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 2023. 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 2023. The Authority will assess any relevant changes and consider for implementation in 2023.

4. Cash and cash equivalents

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

	2020	2019
	US\$	US\$
Cash and bank balances	3,120,360	4,484,563
Short-term deposits	1,125,407	1,117,747
Other funds administered by the Authority (Note 4(a))	<u>5,745,610</u>	<u>-</u>
Cash and cash equivalents	<u><u>9,991,377</u></u>	<u><u>5,602,310</u></u>

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

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

4. Cash and cash equivalents

(a) These funds are in respect of other funds administered by the Authority and comprise:

	Notes	2020 US\$	2019 US\$
Working capital fund	24(a)	653,697	629,038
Endowment fund	24(b)	3,854,163	3,674,061
Voluntary Trust Funds	24(c)	72,615	104,950
Support Trust Fund	24(d)	737,828	519,431
Cost Recovery Fund	24(e)	427,307	-
		<u>5,745,610</u>	<u>4,927,480</u>

Up to 2019, these funds although held in the bank accounts in the name of the Authority were not captured in the accounting records. During 2020, following the implementation of a new accounting system (ERP), the balances were captured in the accounting records and recognised directly in net assets.

5. Members assessed contributions receivable

	2020 US\$	2019 US\$
Receivables from member states:		
Current year's assessment	901,086	781,535
Prior year's assessment	757,655	684,558
Less Provision for uncollected receivables for the current year (See Note 5(a))	(45,054)	(39,077)
Less Provisions for uncollected receivables for the previous years (See Note 5(b))	<u>(150,394)</u>	<u>(68,456)</u>
	<u>1,463,293</u>	<u>1,358,560</u>
<u>Movement in allowance for doubtful contribution</u>		
	2020 US\$	2019 US\$
Opening balance	107,533	62,921
Prior years' contributions written off during the year	(107,533)	-
Provision for current year's uncollected receivables	<u>195,448</u>	<u>44,612</u>
Closing balance	<u>195,448</u>	<u>107,533</u>

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

5. Members assessed contributions receivable (continued)

As at 31 December 2020, the ageing analysis of the members associated contribution receivables is as follows:

<i>As at 31 December 2020</i>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>			<i>Gross receivables before provision Total (US\$)</i>
		<i>< 2 years</i>	<i>Between 2 and 5 years</i>	<i>More than 5 years</i>	
<i>Members associated contribution receivables</i>	901,086	537,436	87,557	132,662	1,658,741

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

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

- a) One hundred-two member states had not fully paid their 2020 assessed contribution amounts as of 31 December 2020 (Seventy-five members in 2019 with regard to 2019 assessed contribution amounts). Provision for uncollected receivables from member states' contributions is set at 5% of the current year's receivables.
- b) Sixty-nine member states have not fully paid their 1998-2018 assessed contribution amounts as of 31 December 2020 (fifty-eight members in 2019 with regard to 1998-2017 assessed contribution amounts). Provision for uncollected receivables from member states' contributions is set at 20% (2019:10%) of the prior year's receivables.

6. Other receivables

The analysis of other receivables is as follows:

	2020 US\$	2019 US\$
Contribution – overhead	-	99,000
Others	88,907	181,742
	<u>88,907</u>	<u>280,742</u>

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

7. Advances to staff

	2020 US\$	2019 US\$
J\$ payments due from staff	-	29
U\$ payments due from staff	-	12,057
Other advances	111,897	125,927
	<u>111,897</u>	<u>138,013</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.

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 2019	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
Addition	95,627	27,988	-	-	-	123,615
Adjustment (Note 8(a))	-	3,088	4,461	(573)	-	6,976
31 December 2020	<u>257,414</u>	<u>277,023</u>	<u>499,244</u>	<u>247,164</u>	<u>216,049</u>	<u>1,496,894</u>
Depreciation:						
1 January 2019	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	240,966	159,063	21,605	700,902
Depreciation charges	16,990	48,119	83,477	30,772	21,610	200,968
31 December 2020	<u>128,055</u>	<u>216,322</u>	<u>324,443</u>	<u>189,835</u>	<u>43,215</u>	<u>901,870</u>
Net Book Values:						
31 December 2020	<u>129,359</u>	<u>60,701</u>	<u>174,801</u>	<u>57,329</u>	<u>172,834</u>	<u>595,024</u>
31 December 2019	<u>50,722</u>	<u>77,744</u>	<u>253,817</u>	<u>88,674</u>	<u>194,444</u>	<u>665,401</u>

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Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

8. Property and equipment (continued)

(a) While the value of property, equipment and intangible assets matched on the financial statements at the overall level, historically due to the manual process there was some discrepancy at different class levels between the asset register, trial balance and the corresponding note to the financial statements. The implementation of ERP in 2020 introduced an asset register to automate the capitalization, depreciation and disposal process to reconcile and ensure accurate reporting through all dimensions at the class level. The same reconciliation was applied to intangible assets.

9. Intangible assets

	US\$
Cost:	
1 January 2019	35,716
Addition	40,715
31 December 2019 and 31 December 2020	<u>76,431</u>
Amortization:	
1 January 2019	5,810
Amortization for the year	8,500
31 December 2019	14,310
Amortization for the year	15,299
Adjustment (Note 8(a))	(396)
31 December 2020	<u>29,213</u>
Net Book Value:	
31 December 2020	<u>47,218</u>
31 December 2019	<u>62,121</u>

10. Payables and accruals

	2020 US\$	2019 US\$
United Nations Joint Staff Pension fund contributions amount payable	-	929
Annual leave liability	562,202	448,772
Accrued home leave	349,181	125,663
Application fees payable	620,663	961,140
Other accounts payable and accruals	56,508	136,141
	<u>1,588,554</u>	<u>1,672,645</u>

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Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

11. Other provisions

	2020 US\$	2019 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>204,893</u>	<u>381,232</u>

12. Advance contributions

	2020 US\$	2019 US\$
These amounts represent the following year's assessed contributions amount received during the year	<u>15,163</u>	<u>1,920,702</u>

13. Repatriation benefits

	2020 US\$	2019 US\$
Entitlements	<u>323,741</u>	<u>337,790</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.

14. After service health insurance defined benefit

The Authority sponsors an insured health plan covering its full-time employees and retirees. The most recent valuation at 31 December 2020, 2019 and 2018, was carried out on 19 May 2021, by Corrinne Bellamy (Sagicor Employee Benefit Administrator Limited), Fellow of the Society of Actuaries.

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Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

14. After service health insurance defined benefit (continued)

- i. Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages)

	2020	2019
	%	%
<u>Financial</u>		
Discount rate	6.0	5.0
Price inflation (CPI)	2.0	2.0
Medical claims growth	4.0	3.0

Demographic

Men and women are expected to retire in line with normal retirement ages of the UNSPF pension regulations which stipulates:

Date of hire	NRA (years)
Before 1 January 1990	60
On 1 January 1990 and before 1 January 2014	62
On and after 1 January 2014	65

*No allowances were made for exits before retirement.

Mortality

RP-2014 Employee and Healthy Annuitant Mortality Rates projected to the measurement date, using the American 1994 Group Annuity Mortality static (GAM94S) with a 5-year Mortality

Other

	2020	2019
	Years	Years
Average liability duration All participants	24	24

- ii. Post-employment medical benefits

	2020	2019
	US\$	US\$
Present value of the obligation and liability recognised in statement of financial position	<u>2,203,000</u>	<u>2,140,000</u>

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Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

14. After service health insurance defined benefit (continued)

iii. Movements in post-employment medical benefits

	2020 US\$	2019 US\$
Balance at beginning of year	2,140,000	1,910,000
Contributions paid	(103,000)	(100,000)
Authority's expense	155,000	159,000
Net expense recognised in net assets	<u>11,000</u>	<u>171,000</u>
Balance at end of year	<u>2,203,000</u>	<u>2,140,000</u>

iv. Expense recognised in the statement of financial performance

	2020 US\$	2019 US\$
Current service cost	51,000	38,000
Interest cost on obligation	<u>104,000</u>	<u>121,000</u>
Net expense included in surplus/(deficit)	<u>155,000</u>	<u>159,000</u>
Items recognised in net asset:		
Remeasurement loss on obligation	<u>11,000</u>	<u>171,000</u>
Total	<u>166,000</u>	<u>330,000</u>

v. Changes in the present value of the defined benefit obligation are as follows:

	2020 US\$	2019 US\$
Opening defined benefit obligation	2,140,000	1,910,000
Service cost	51,000	38,000
Interest cost on obligation	104,000	121,000
Remeasurement loss/(gain) on obligation due to:		
- Experience adjustments	263,000	(105,000)
- Financial assumptions	(252,000)	276,000
Benefits paid	<u>(103,000)</u>	<u>(100,000)</u>
Closing present value of the defined benefit obligation	<u>2,203,000</u>	<u>2,140,000</u>

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Year ended 31 December 2020

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14. After service health insurance defined benefit (continued)

- vi. A quantitative sensitivity analyses for significant assumptions at the end of the reporting period is shown below:

<u>Assumptions</u>	2020			
	Sensitivity Level Increase	Impact on Defined Benefits Obligation \$'000	Sensitivity Level Decrease	Impact on Defined Benefits Obligations \$'000
<i>Financial</i>				
Discount rate	1%	(257,000)	1%	318,000
Medical claims growth	1%	318,000	1%	(263,000)
<i>Demographic</i>				
Life expectancy	1 year	68,000	1 year	(68,000)

<u>Assumptions</u>	2019			
	Sensitivity Level Increase	Impact on Defined Benefits Obligation \$'000	Sensitivity Level Decrease	Impact on Defined Benefits Obligations \$'000
<i>Financial</i>				
Discount rate	1%	(245,000)	1%	302,000
Medical claims growth	1%	302,000	1%	(252,000)
<i>Demographic</i>				
Life expectancy	1 year	65,000	1 year	(65,000)

- vii. Post-employment medical obligation benefit

	2020 \$'000	2019 \$'000	2018 \$'000
Present value of the post-employment benefit obligation in the Plan	2,203,000	2,140,000	1,910,000
Experience adjustments arising on plan liabilities – Loss/(Gain)	263,000	(105,000)	-

- viii. The Authority's estimated net expense for 2020 is \$0.188 million

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Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

15. Assessed contribution income

	2020 US\$	2019 US\$
The amounts represent the net assessed contributions from member states	<u>6,751,516</u>	<u>6,750,223</u>

16. Overhead charges

	2020 US\$	2019 US\$
These amounts represent the annual charge of US \$60,000 per contractor for 29 contractors (2019: US\$60,000 for 29 contractors) net of direct write off for irrecoverable amounts of US\$0.047 million ((2019: US\$Nil)	<u>1,693,000</u>	<u>1,740,000</u>

17. Interest income

	2020 US\$	2019 US\$
Interest income from:		
Other General Administrative Fund bank accounts	13,539	36,355
Contractor's annual overhead bank accounts	-	7,789
Contractors' application for extension fees bank accounts	-	2,929
Interest Income from Endowment Fund (Note 24(b)), Voluntary Trust Fund (Note 24(c)) and Support Trust Fund (Note 24(d))	<u>148,968</u>	<u>-</u>
	<u>162,507</u>	<u>47,073</u>

18. Miscellaneous income

	2020 US\$	2019 US\$
Exchange gain	-	773
Others (Note 18(a))	<u>672,360</u>	<u>205,026</u>
	<u>672,360</u>	<u>205,799</u>

(a) Includes interest earned on working capital fund of US\$293 (2019: US\$3,264) (Note 24(a)).

19. Administrative Expenditure of the Secretariat (Section 1.1)

	2020 US\$	2019 US\$
These amounts include all costs related staff as well as the costs relating to the substantive areas of the Authority's work	<u>6,514,229</u>	<u>6,845,882</u>

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Notes to the Financial Statements

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(expressed in United States dollars unless otherwise indicated)

20. Conference servicing costs (Section 1.2)

	2020 US\$	2019 US\$
These costs relate to expenses on conference servicing	<u>1,009,683</u>	<u>2,132,097</u>

21. Costs of programmes (Section 2)

	2020 US\$	2019 US\$
Development of the regulatory framework for activities in the Area (Programme 2.1)	213,042	325,945
Protection of the marine environment (Programme 2.2)	132,359	36,155
Management of contracts (Programme 2.3)	37,272	29,158
Data management (resource and environment) (Programme 2.4)	104,492	183,111
Promotion and encouragement of marine scientific research in the Area (Programme 2.5)	43,850	37,838
Outreach activities (Programme 2.6)	53,774	50,896
Regional environment management programmes (Programme 2.7)	<u>100,097</u>	<u>71,329</u>
	<u>684,886</u>	<u>734,432</u>

22. 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:

	2020 US\$	2019 US\$
Compensation and post adjustments	888,241	859,990
Other entitlements	75,310	74,646
Pension plan and health benefits	<u>174,933</u>	<u>171,282</u>
Total remuneration	<u>1,138,484</u>	<u>1,105,918</u>
Number of individuals	<u>4</u>	<u>4</u>

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Notes to the Financial Statements

Year ended 31 December 2020

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23. 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:

	2020	2019
	US\$	US\$
Members assessed contributions receivable	1,463,293	1,358,560
Other receivables	88,907	280,742
Cash and cash equivalents	<u>9,991,377</u>	<u>5,602,310</u>
	<u>11,543,577</u>	<u>7,241,612</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.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

23. 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.

24. Other funds

(a) Working Capital Fund

Accumulated contributions to the Authority's Working Capital Fund as at 31 December 2020 totaled US\$656,275 (2019: US\$629,652) with a movement of US\$26,623 (2019: US\$22,948) for the year. 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\$5,690 (2019: US\$30,348). No funds were drawn from the Working Capital Fund for operational purposes in 2020 and 2019. Interest earned on the fund balance was \$293. (2019: \$3,264) was transferred to the GAF as miscellaneous income in accordance with the Authority Financial Regulators Section 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.

	2020	2019
	US\$	US\$
Opening balance	3,675,457	3,572,050
Contributions	30,032	25,251
Interest income (Note 17)	148,674	105,788
Less: expenses	-	(27,632)
Ending balance	<u>3,854,163</u>	<u>3,675,457</u>

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Notes to the Financial Statements

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

24. Other funds (continued)

(c) Voluntary Trust Funds

The Voluntary Trust Fund (VTF) consists of three 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:

	2020 US\$	2019 US\$
Opening balance	(12,404)	75,890
Contributions	80,000	52,510
Interest income	160	1,308
Less: Expenses	<u>(21,682)</u>	<u>(142,112)</u>
Ending Balance	<u><u>46,074</u></u>	<u><u>(12,404)</u></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:

	2020 US\$	2019 US\$
Opening balance	30,233	59,138
Contribution	-	7,502
Less: Expenses	<u>(9,655)</u>	<u>(36,407)</u>
Ending Balance	<u><u>20,578</u></u>	<u><u>30,233</u></u>

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24. Other funds (continued)

(c) Voluntary Trust Funds (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).

	2020	2019
	US\$	US\$
Opening balance	4,221	-
Contribution	4,500	27,316
Less: Expenses	<u>(2,733)</u>	<u>(23,095)</u>
Ending Balance	<u>5,988</u>	<u>4,221</u>
	US\$	US\$
<u>Reconciliation</u>		
Voluntary Trust Fund 1	46,074	(12,404)
Voluntary Trust Fund 2	20,578	30,233
Voluntary Trust Fund 3	<u>5,988</u>	<u>4,221</u>
	72,640	22,050
Expenses not yet paid to GAF	<u>(25)</u>	<u>82,900</u>
Balance in bank account	<u>72,615</u>	<u>104,950</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.

Movements of the Support Trust Fund during the year:

	2020	2019
	US\$	US\$
Opening balance	519,431	511,118
Contributions	356,014	236,812
Interest income	134	275
Less: expenses	<u>(137,751)</u>	<u>(228,774)</u>
Ending balance	<u>737,828</u>	<u>519,431</u>

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24. Other funds (continued)

(e) Cost Recovery Fund

The Cost Recovery Fund was established in 2020 for the purpose of fairly compensating the Authority's resources consumed by receiving the indirect cost charges and direct cost recoveries, considered as spendable income, related to extra-budgetary and voluntary contributions. These charges aim to ensure that the additional costs of supporting extra-budgetary activities are not financed by the General Administrative Budget (ISBA/ST/SGB/2020/2).

Movements of the Cost Recovery Fund during the year:

	2020 US\$	2019 US\$
Cost recovery	427,308	-
Ending balance	<u>427,308</u>	<u>-</u>

25. COVID-19 Update

On 30 January 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus (COVID 19) to constitute a 'Public Health Emergency of International Concern'. This global outbreak, and the response of governments worldwide to it, has disrupted supply chains and activities across a range of industries.

The COVID-19 impacted the physical presence of Staff Members in the Authority HQ. Several Staff worked remotely from Kingston and recently there have been a gradual return to the office. The Physical sessions in July 2020 were done virtually for the Finance Committee, LTC, Council and Assembly. The same applies to Workshops that were conducted virtually during the second half of 2020. There was no major financial impact as a result of the virus, other than a series of precautionary and control measures have been and continue to be implemented by the Authority.

The duration and extent of the COVID-19 pandemic and related financial, social and public health impacts of the pandemic remain uncertain. As such, the actual economic events and conditions in the future may be materially different from those estimated by the Authority at the reporting date. No matters have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Authority. The Authority will continue to closely monitor the situation in order to determine its response, if necessary.