

INTERNATIONAL SEABED AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in United States Dollars)

International Seabed Authority

Index to the Financial Statements

Year ended 31 December 2022

Independent Auditor's Report	1 – 3
Financial Statements	
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Statement of Comparison of Budget to Actual Amounts	8 - 11
Notes to the Financial Statements	12 – 36

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 2022, 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 2022, 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

5 June 2023

INTERNATIONAL SEABED AUTHORITY

Statement of Financial Position

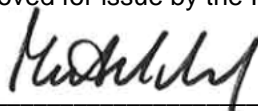
As at 31 December 2022

(expressed in United States dollars unless otherwise indicated)

	Notes	2022 US\$	2021 US\$
CURRENT ASSETS			
Cash and cash equivalents	4	13,346,718	13,670,915
Members assessed contributions receivable	5	1,284,296	1,164,718
Other receivables	6	289,507	112,005
Advances to staff	7	147,644	136,732
Total current assets		<u>15,068,165</u>	<u>15,084,370</u>
NON-CURRENT ASSETS			
Property and equipment	8	277,265	423,012
Intangible assets	9	17,455	31,918
Total non-current assets		<u>294,720</u>	<u>454,930</u>
Total Assets		<u>15,362,885</u>	<u>15,539,300</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Payable and accruals	10	993,667	1,291,057
Other provisions	11	1,451,276	858,255
Advance contributions	12	2,207,913	1,235,011
Repatriation benefits	13	58,841	-
Total current liabilities		<u>4,711,697</u>	<u>3,384,323</u>
NON-CURRENT LIABILITIES			
Repatriation benefits	13	179,698	287,865
After-service health insurance defined benefit	14	1,684,000	2,361,000
Total non-current liabilities		<u>1,863,698</u>	<u>2,648,865</u>
Total liabilities		<u>6,575,395</u>	<u>6,033,188</u>
NET ASSETS			
Accumulated surplus: General Administration Fund (GAF)		4,164,116	5,626,994
Accumulated surplus: Non-general Administration Fund (Non-GAF)		6,307,374	6,240,118
Other reserves	14	(1,684,000)	(2,361,000)
Total net assets		<u>8,787,490</u>	<u>9,506,112</u>
Total Liabilities and Net Assets		<u>15,362,885</u>	<u>15,539,300</u>

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

Approved for issue by the International Seabed Authority on 5 June 2023 and signed on its behalf by:



Secretary General - Michael W. Lodge

INTERNATIONAL SEABED AUTHORITY

Statement of Financial Performance

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

	Notes	2022 US\$	2021 US\$
REVENUE			
Contributions:			
Assessed contributions	15	7,408,268	7,437,453
Voluntary contributions	24(b)(c)(d)(f)	713,138	266,590
Assessed working capital	24(a)	23,922	17,666
Overhead charges	16	2,480,000	1,800,000
Total contributions and other budgeted income		10,625,328	9,521,709
Other income:			
Interest income	17	283,179	175,305
Miscellaneous income	18	180,388	86,197
Cost recovery charges	24(e)	8,681	168,127
Total other income		472,248	429,629
Total revenue		11,097,576	9,951,338
EXPENSES			
Administrative expenditure of the secretariat (Section 1.1)	19	7,083,728	6,355,100
Cost of conference services (Section 1.2)	20	2,130,283	910,800
Cost of programmes (Section 2)	21	2,190,115	591,196
Endowment Fund expenditure	24(b)	13,745	41
Voluntary Trust Fund expenditure	24(c)	131,533	18,659
Support Trust Fund expenditure	24(d)	496,483	138,047
Cost Recovery expenditure	24(e)	257,794	90,257
Depreciation and amortization	8,9	160,210	192,201
Change in provision for uncollected contribution	5	29,307	(46,710)
After-service health insurance benefit charge (net of contributions)	14	92,000	75,000
Total expenses		12,585,198	8,324,591
(DEFICIT)/SURPLUS FOR THE YEAR		(1,487,622)	1,626,747
Classified as:			
(Deficit)/Surplus for the year: GAF		(1,462,878)	1,337,424
Surplus for the year: Non GAF		67,256	364,323
Other reserves		(92,000)	(75,000)
		(1,487,622)	1,626,747

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

INTERNATIONAL SEABED AUTHORITY

Statement of Changes in Net Assets

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

	Note	Accumulated Surplus: GAF US\$	Accumulated Surplus: Non- GAF (Note 4(a)) US\$	Other Reserve US\$	Total US\$
Balance at 1 January 2021		4,289,570	5,875,795	(2,203,000)	7,962,365
Surplus/(Loss) for the year		1,337,424	364,323	(75,000)	1,626,747
Remeasurement losses on after service health benefit	14(iv)	-	-	(83,000)	(83,000)
Balance at 31 December 2021		5,626,994	6,240,118	(2,361,000)	9,506,112
(Deficit)/Surplus for the year		(1,462,878)	67,256	(92,000)	(1,487,622)
Remeasurement gains on after service health benefit	14(iv)	-	-	769,000	769,000
Balance at 31 December 2022		4,164,116	6,307,374	(1,684,000)	8,787,490

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

INTERNATIONAL SEABED AUTHORITY

Statement of Cash Flows

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

	Notes	2022 US\$	2021 US\$
CASH FLOW FROM OPERATING ACTIVITIES			
(Deficit)/Surplus for the year		(1,487,622)	1,626,747
Adjustments to reconcile (loss)/surplus to net cash flows from operating activities:			
Charge recognised in respect of after service health insurance	14(iv)	200,000	182,000
Depreciation and amortization	8,9	160,210	192,201
Operating cash flows before movements in working capital		(1,127,412)	2,000,948
Movements in working capital			
(Increase)/Decrease in contributions receivable		(119,578)	298,575
(Increase)/Decrease in other receivables		(177,502)	(23,098)
Increase in advances to staff		(10,912)	(24,835)
Increase in other provisions		593,021	653,362
Increase in advance contributions		972,902	1,219,848
Decrease in repatriation benefits		(49,326)	(35,876)
Decrease in payables and accruals		(297,390)	(297,497)
Contributions paid	14(iii)	(108,000)	(107,000)
Net cash (used in)/generated from operating activities		(324,197)	3,684,427
CASH FLOW FROM INVESTING ACTIVITY			
Acquisition of property and equipment and intangibles	8,9	-	(4,889)
Net cash used in investing activity		-	(4,889)
Net (decrease)/ increase in cash and cash equivalents		(324,197)	3,679,538
Cash and cash equivalents at the beginning of the year		13,670,915	9,991,377
Cash and cash equivalents at the end of the year	4	13,346,718	13,670,915

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 2022

(expressed in United States dollars unless otherwise indicated)

<i>Budget line</i>	<i>Adjustments to IPSAS</i>		<i>Cashed based figures</i>					
	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actuals</i>	<i>Balance</i>	<i>Amounts</i>	<i>Comments</i>	<i>Actuals</i>	<i>Balance</i>
	\$	\$	\$	\$	\$		\$	\$
Administrative and conference services expenditures								
Administrative expenditures of the Secretariat								
Section 1								
Sub-section1								
Established posts	3,700,000		3,626,118	73,882	3,768		3,622,351	77,649
Common Staff Costs	1,850,000		2,239,228	(389,228)	100,755	Provision	2,138,473	(288,473)
Overtime	18,000		7,895	10,105	376	Provision	7,518	10,482
Consultant Fees	20,000		19,558	442	1,275	Provision	18,283	1,717
General Temporary Assistant	30,000		26,609	3,391	-		26,609	3,391
Training	55,000		57,822	(2,822)	15,000	Provision	42,822	12,178
Official Business Travel	155,000		127,702	27,298	294	Provision	127,408	27,592
Communications	89,600		77,913	11,687	7,811	Provision	70,102	19,498
External Printing	10,000		11,715	(1,715)	4,071	Provision	7,644	2,356
Library	68,000		51,785	16,215	-		51,785	16,215
Supplies and Materials	60,000		41,976	18,024	2,351	Provision	39,625	20375
Official Hospitality	7,000		5,169	1,831	-		5,169	1,831
Information Technology	53,000		72,101	(19,101)	29,614	Provision	42,486	10,514
Acquisition of Furniture and Equipment	65,000		88,924	(23,924)	1,634	Provision	87,290	(22,290)
Rental & Maintenance of Furniture & Equipment	21,155		2,387	18,768	565	Provision	1,823	19,332
UN Common System	95,000		72,473	22,527	25,811	Provision	46,662	48,338
Miscellaneous Services	85,000		87,806	(2,806)	667	Provision	87,139	(2,139)
Audit Fees	19,000		26,325	(7,325)	26,325	Provision	-	19,000
Building Management	377,000		412,155	(35,155)	14,911	Provision	397,244	(20,244)
IPSAS/ERP related	20,000		28,067	(8,067)	-		28,067	(8,067)
Total Section 1.1	6,797,755		7,083,728	(285,973)	235,228		6,848,500	(50,745)

INTERNATIONAL SEABED AUTHORITY

Statement of Comparison of Budget to Actual Amounts (continued)

Year Ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

<i>Budget line</i>	<i>Adjustments to IPSAS</i>		<i>Cashed based figures</i>					
	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actuals</i>	<i>Balance</i>	<i>Amounts</i>	<i>Comments</i>	<i>Actuals</i>	<i>Balance</i>
	\$	\$	\$	\$	\$		\$	\$
Section 1	<i>Administrative and conference services expenditures</i>							
Sub-section 2	<i>Cost of conference services</i>							
United Nations Staff Salaries								
Communication, Press, Media								
Printing and Supplies	1,000		1,391	(391)	-		1,391	(391)
General Temporary Assistant	50,000		79,436	(29,436)	-		79,436	(29,436)
Rental of Conference Centre	140,000		170,877	(30,877)	33,976	Provision	136,900	3,100
Local Transportation	6,500		3,068	3,432	-		3,068	3,432
Miscellaneous Conference Service Costs	110,000		154,242	(44,242)	1,563	Provision	152,679	(42,679)
Rental of Equipment	30,500		5,258	25,242	209	Provision	5,050	25,450
Meeting Services	750,000		909,536	(159,536)	-		909,536	(159,536)
Documentation	650,000		791,206	(141,206)	425,224	Provision	365,982	284,018
Reception	15,000		15,269	(269)	-		15,269	(269)
Total Section 1.2	Cost of conference services	1,753,000	2,130,283	(377,283)	460,972		1,669,311	83,689

INTERNATIONAL SEABED AUTHORITY

Statement of Comparison of Budget to Actual Amounts (continued)

Year Ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

<i>Budget line</i>	<i>Adjustments to IPSAS</i>		<i>Cashed based figures</i>					
	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actuals</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	170,000		206,696	(36,696)	25,000	Provision	181,696	(11,696)
External Printing	5,000		1,880	3,120	-		1,880	3,120
Travel	34,770		44,491	(9,721)	4,117	Provision	40,374	(5,604)
Workshops	80,000		27,227	52,773	-		27,227	52,773
Total: Programme 2.1	289,770		280,294	9,476	29,117		251,177	38,593
Programme 2.2	Protection of the marine environment							
Consultants	150,000		240,968	(90,968)	62,000	Provision	178,968	(28,968)
External Printing	10,000		6,853	3,147	2,018	Provision	4,835	5,165
Travel	65,000		79,553	(14,553)	57,603	Provision	21,950	43,050
Workshops	135,000		192,941	(57,941)	129,379	Provision	63,562	71,438
Total: Programme 2.2	360,000		520,315	(160,315)	251,000		269,315	90,685
Programme 2.3	Management of contracts							
Consultants	13,000		19,886	(6,886)	-		19,886	(6,886)
External Printing	5,000		1,262	3,738	-		1,262	3,738
Travel	25,000		21,216	3,784	1,608	Provision	19,608	5,392
Workshops	19,000		34,556	(15,556)	1,503	Provision	33,053	(14,053)
Total: Programme 2.3	62,000		76,920	(14,920)	3,111		73,809	(11,809)
Programme 2.4	Data management (resource and environment)							
Consultants	70,000		92,001	(22,001)	74,737	Provision	17,264	52,736
Travel	32,000		24,743	7,257	-		24,743	7,257
Workshops	75,000		58,475	16,525	791	Provision	57,684	17,316
Information Technology	-		8,311	(8,311)	-		8,311	(8,311)
External Printing	5,000		-	5,000	-		-	5,000
Maintenance and Support	74,000		93,982	(19,982)	24,229	Provision	69,753	4,247
Total: Programme 2.4	256,000		277,512	(21,512)	99,757		177,755	78,245

INTERNATIONAL SEABED AUTHORITY

Statement of Comparison of Budget to Actual Amounts (continued)

Year Ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

<i>Budget line</i>	<i>Adjustments to IPSAS</i>		<i>Cashed based figures</i>					
	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actuals</i>	<i>Balance</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	80,000		161,230	(81,230)	94,170	Provision	67,060	12,940
External Printing	8,000		2,639	5,361	-		2,639	5,361
Travel	37,000		18,220	18,780	801	Provision	17,420	19,580
Workshops	80,000		135,321	(55,321)	11,436	Provision	123,885	(43,885)
Total: Programme 2.5	205,000		317,410	(112,410)	106,407		211,004	(6,004)
Programme 2.6	Outreach Activities							
Consultants	25,000		5,267	19,733	-		5,267	19,733
External Printing	17,000		33,211	(16,211)	3,435	Provision	29,776	(12,776)
Travel	25,000		19,482	5,518	-		19,482	5,518
Workshops	10,000		10,007	(7)	-		10,007	(7)
Equipment	-		12,094	(12,094)	-		12,094	(12,094)
Training	5,000		1,273	3,727	-		1,273	3,727
Total: Programme 2.6	82,000		81,334	666	3,435		77,899	4,101
Programme 2.8	Capacity Development and Technical cooperation							
Consultants	-		12,654	(12,654)	-		12,654	(12,654)
External Printing	11,500		17,532	(6,032)	2,404	Provision	15,128	(3,628)
Travel	70,000		87,992	(17,992)	-		87,992	(17,992)
Workshops	110,000		157,104	(47,104)	-		157,104	(47,104)
Total: Programme 2.8	191,500		275,282	(83,782)	2,404		272,878	(81,378)
Programme 2.9	Mineral resources and mining technologies							
Consultants	60,000		132,380	(73,380)	94,000	Provision	38,380	21,620
External Printing	5,000		4,933	67	4,933	Provision	-	5,000
Travel	40,000		26,548	13,452	-		26,548	13,452
Workshop	120,000		197,188	(76,606)	51,834	Provision	145,355	(25,355)
Total: Programme 2.9	225,000		361,049	(136,467)	150,767		210,283	14,717
Total Section 2	Programme expenditures		1,671,270	2,190,116	(519,264)		1,544,120	127,150
Total administrative, conference services and programmes expenditures			10,222,025	11,404,127	(1,182,520)		10,061,931	160,094

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(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 2022 (2021: 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 50 Posts (2021: 48 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 31 contracts for exploration as of 31 December 2022 (30 contracts as at 31 December 2021). 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 2022

(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.
 8. Capacity development and technical cooperation.
 9. Mineral resources and mining technologies.

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 2022

(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
- ISA Partnership Fund

Following the implementation of Enterprise Reporting System (ERP) in 2020, the above funds were incorporated in the Authority's accounting records. Accordingly, the bank accounts related to these funds were also captured in the accounting records. The status of these funds is set out in Note 24.

(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 \$1.684 million (2021: \$2.361 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 2022

(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 2022 (2021: 31 December 2021).

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 2022 (2021: 31 December 2021).

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(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 cash equivalents, members assessed contribution receivables, other receivables and advances to staff.

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.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (continued)

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 plus directly attributable transaction costs (where applicable).

The Authority's financial liabilities include payables and advanced contributions.

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% for previous years.

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

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.6 Revenue (continued)

(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 contributions 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\$330,809 (or JM\$50,671,000) (2020: US\$359,185 (or J\$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 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:

PE Asset Class	Useful Life (in years)
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.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

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.

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 the Authority 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 167 of the United Nations Convention on the Law of the Sea, whose employment and contractual relationship is defined by a letter of appointment, subject to the regulations promulgated by the Assembly of the Authority pursuant to Article 167, paragraph 3, of the Convention. In practice, this means those persons with a temporary, fixed-term or permanent contract.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.11 Employee benefits (continued)

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.

(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.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(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 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.

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. 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 2023.

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

3. Changes in accounting policies and estimates (Continued)

(b) New standards which are not yet effective (continued)

- **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:

	2022 US\$	2021 US\$
Cash and bank balances	7,187,053	6,413,955
Short-term deposits	-	1,125,814
Other funds administered by the Authority (Note 4(a))	<u>6,159,665</u>	<u>6,131,146</u>
Cash and cash equivalents	<u>13,346,718</u>	<u>13,670,915</u>

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

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

	Notes	2022 US\$	2021 US\$
Working capital fund	24(a)	697,863	673,941
Endowment fund	24(b)	4,259,516	4,053,066
Voluntary trust funds	24(c)	164,973	201,254
Support trust fund	24(d)	649,124	697,707
Cost recovery fund	24(e)	256,065	505,178
ISA Partnership fund	24(f)	<u>132,124</u>	<u>-</u>
		<u>6,159,665</u>	<u>6,131,146</u>

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

5. Members assessed contributions receivable

	2022	2021
	US\$	US\$
Receivables from member states:		
Current year's assessment	696,160	758,217
Prior year's assessment	716,181	555,239
Contractor	50,000	-
Less Provision for uncollected receivables for the current year (See Note 5(a))	(34,808)	(37,911)
Less Provisions for uncollected receivables for the previous years (See Note 5(b))	(143,237)	(110,827)
	<u>1,284,296</u>	<u>1,164,718</u>
<u>Movement in allowance for doubtful contribution</u>		
	2022	2021
	US\$	US\$
Opening balance	148,738	195,448
Change in provision for uncollected receivables	29,307	(46,710)
Closing balance	<u>178,045</u>	<u>148,738</u>

As at 31 December 2022, the ageing analysis of the members associated contribution receivables is as follows:

	<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>	
As at 31 December 2022					
<i>Members associated contribution receivables</i>	696,160	449,255	115,716	151,210	1,412,341

As at 31 December 2021, the ageing analysis of the members associated contribution receivables is as follows:

	<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>	
As at 31 December 2021					
<i>Members associated contribution receivables</i>	758,217	330,616	96,268	128,355	1,313,456

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

5. Members assessed contributions receivable (continued)

- a) Seventy-nine member states had not fully paid their 2022 assessed contribution amounts as of 31 December 2022 (Eighty-six members in 2021 with regard to 2021 assessed contribution amounts). Provision for uncollected receivables from member states' contributions is set at 5% (2021: 5%) of the current year's receivables.
- b) Fifty-eight member states have not fully paid their 1998-2020 assessed contribution amounts as of 31 December 2021 (sixty-five members in 2021 with regard to 1998-2018 assessed contribution amounts). Provision for uncollected receivables from member states' contributions is set at 20% (2021:20%) of the prior year's receivables.

6. Other receivables

The analysis of other receivables is as follows:

	2022 US\$	2021 US\$
Other	<u>289,507</u>	<u>112,005</u>

Other receivables include the prepaid insurances, advances payments to suppliers and receivables from staff for ASHI premiums.

7. Advances to staff

	2022 US\$	2021 US\$
J\$ payments due from staff	117	1,638
U\$ payments due from staff	-	14,898
Other advances	<u>147,527</u>	<u>120,196</u>
	<u>147,644</u>	<u>136,732</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

Notes to the Financial Statements

Year ended 31 December 2022

(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 2021	257,414	277,023	499,244	247,164	216,049	1,496,894
Addition	-	-	4,889	-	-	4,889
Disposal	(84,823)	-	-	-	-	(84,823)
31 December 2021 and 2022	172,591	277,023	504,133	247,164	216,049	1,416,960
Depreciation:						
1 January 2021	128,055	216,322	324,443	189,835	43,215	901,870
Depreciation	34,524	34,824	60,777	25,164	21,612	176,901
Disposal	(84,823)	-	-	-	-	(84,823)
31 December 2021	77,756	251,146	385,220	214,999	64,827	993,948
Depreciation	33,376	14,224	55,636	20,899	21,612	145,747
31 December 2022	111,132	265,370	440,856	235,898	86,439	1,139,695
Net book values:						
31 December 2022	61,459	11,653	63,277	11,266	129,610	277,265
31 December 2021	94,835	25,877	118,913	32,165	151,222	423,012

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

9. Intangible assets

	US\$
Cost:	
1 January 2021, 31 December 2021 and 31 December 2022	<u>76,431</u>
Amortization:	
1 January 2021	29,213
Amortization for the year	<u>15,300</u>
31 December 2021	44,513
Amortization for the year	<u>14,463</u>
31 December 2022	<u>58,976</u>
Net book value:	
31 December 2022	<u>17,455</u>
31 December 2021	<u>31,918</u>

10. Payables and accruals

	2022 US\$	2021 US\$
Annual leave liability	516,648	531,209
Accrued home leave	296,563	188,492
Application fees payable	162,368	543,320
Other accounts payable and accruals	<u>18,088</u>	<u>28,036</u>
	<u>993,667</u>	<u>1,291,057</u>

11. Other provisions

	2022 US\$	2021 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>1,451,276</u>	<u>858,255</u>

12. Advance contributions

	2022 US\$	2021 US\$
These amounts represent the following year's assessed contributions amount received during the year	<u>2,207,913</u>	<u>1,235,011</u>

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

13. Repatriation benefits

	2022 US\$	2021 US\$
Current entitlements	58,841	-
Non-current entitlements	179,698	287,865
	<u>238,539</u>	<u>287,865</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 2022 (2021: 31 December 2021), was carried out on 20 February 2023 (2021: 4 March 2022), by Corrinne Bellamy (Sagicor Employee Benefit Administrator Limited), Fellow of the Society of Actuaries.

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

	2022 %	2021 %
<u>Financial</u>		
Discount rate	10.0	5.5
Price inflation (CPI)	2.5	2.5
Medical claims growth	6.0	4.0

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 Annuitant Mortality static (GAM94S) with a 5-year Mortality

Other

	2022 Years	2021 Years
Average liability duration All participants	22	23

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

14. After service health insurance defined benefit (continued)

ii. Post-employment medical benefits

	2022 US\$	2021 US\$
Present value of the obligation and liability recognised in statement of financial position	<u>1,684,000</u>	<u>2,361,000</u>

iii. Movements in post-employment medical benefits

	2022 US\$	2021 US\$
Balance at beginning of year	2,361,000	2,203,000
Contributions paid	(108,000)	(107,000)
Authority's expense	200,000	182,000
Net expense recognised in net assets	<u>(769,000)</u>	<u>83,000</u>
Balance at end of year	<u>1,684,000</u>	<u>2,361,000</u>

iv. Expense recognised in the statement of financial performance

	2022 US\$	2021 US\$
Current service cost	73,000	53,000
Interest cost on obligation	<u>127,000</u>	<u>129,000</u>
Net expense included in surplus	<u>200,000</u>	<u>182,000</u>
Items recognised in net asset:		
Remeasurement (gain)/loss on obligation	<u>(769,000)</u>	<u>83,000</u>
Total	<u>(569,000)</u>	<u>265,000</u>

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

	2022 US\$	2021 US\$
Opening defined benefit obligation	2,361,000	2,203,000
Service cost	73,000	53,000
Interest cost on obligation	127,000	129,000
Remeasurement loss/(gain) on obligation due to:		
- Experience adjustments	176,000	(54,000)
- Financial assumptions	(945,000)	137,000
Benefits paid	<u>(108,000)</u>	<u>(107,000)</u>
Closing present value of the defined benefit obligation	<u>1,684,000</u>	<u>2,361,000</u>

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

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>	2022			
	Sensitivity Level Increase	Impact on Defined Benefits Obligation \$'000	Sensitivity Level Decrease	Impact on Defined Benefits Obligations \$'000
	<i>Financial</i>			
Discount rate	1%	195,000	1%	(161,000)
Medical claims growth	1%	(168,000)	1%	195,000
<i>Demographic</i>				
Life expectancy	1 year	(45,000)	1 year	45,000

<u>Assumptions</u>	2021			
	Sensitivity Level Increase	Impact on Defined Benefits Obligation \$'000	Sensitivity Level Decrease	Impact on Defined Benefits Obligations \$'000
	<i>Financial</i>			
Discount rate	1%	(282,000)	1%	352,000
Medical claims growth	1%	352,000	1%	(288,000)
<i>Demographic</i>				
Life expectancy	1 year	78,000	1 year	(77,000)

- vii. Post-employment medical obligation benefit

	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000
Present value of the post-employment benefit obligation in the Plan	1,684,000	2,361,000	2,203,000	2,140,000
Experience adjustments arising on plan liabilities – Loss/(Gain)	176,000	(54,000)	263,000	(105,000)

- viii. The Authority's estimated net expense for 2023 is \$0.212 million (2021: 2022 is \$0.207 million)

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

15. Assessed contribution income

	2022 US\$	2021 US\$
The amounts represent the net assessed contributions from member states	<u>7,408,268</u>	<u>7,437,453</u>

16. Overhead charges

	2022 US\$	2021 US\$
These amounts represent the annual charge of US\$80,000 (2021: US\$60,000) per contractor for 31 (2021: 30) contractors	<u>2,480,000</u>	<u>1,800,000</u>

17. Interest income

	2022 US\$	2021 US\$
Interest income from:		
Other General Administrative Fund bank accounts	82,105	16,361
Interest Income from Non-General Administrative Fund (Note 24)	<u>201,074</u>	<u>158,944</u>
	<u>283,179</u>	<u>175,305</u>

18. Miscellaneous income

	2022 US\$	2021 US\$
Other	<u>180,388</u>	<u>86,197</u>

Miscellaneous income include income from mineral research and development.

19. Administrative Expenditure of the Secretariat (Section 1.1)

	2022 US\$	2021 US\$
These amounts include all costs related staff as well as the costs relating to the substantive areas of the Authority's work	<u>7,083,728</u>	<u>6,355,100</u>

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

20. Conference servicing costs (Section 1.2)

	2022 US\$	2021 US\$
These costs relate to expenses on conference servicing	<u>2,130,283</u>	<u>910,800</u>

21. Costs of programmes (Section 2)

	2022 US\$	2021 US\$
Development of the regulatory framework for activities in the Area (Programme 2.1)	280,294	142,026
Protection of the marine environment (Programme 2.2)	520,314	108,868
Management of contracts (Programme 2.3)	76,921	6,317
Data management (resource and environment) (Programme 2.4)	277,512	139,942
Promotion and encouragement of marine scientific research in the Area (Programme 2.5)	317,411	12,067
Outreach activities (Programme 2.6)	81,334	79,944
Capacity development and technical cooperation (Programme 2.8)	275,283	86,044
Mineral resources and mining technologies (Programme 2.9)	<u>361,047</u>	<u>15,988</u>
	<u>2,190,116</u>	<u>591,196</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 Legal Counsel; Director of Office of Environmental Management and Mineral Resources; and Director of Office for Administrative Services. The total remuneration, the number of individuals and any loans are as follows:

Key management:

	2022 US\$	2021 US\$
Compensation and post adjustments	811,983	935,179
Other entitlements	77,526	82,510
Pension plan and health benefits	<u>152,000</u>	<u>176,846</u>
Total remuneration	<u>1,041,509</u>	<u>1,194,535</u>
Number of individuals	<u>6</u>	<u>4</u>

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

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:

	2022	2021
	US\$	US\$
Members assessed contributions receivable	1,284,296	1,164,718
Other receivables	289,507	112,005
Advances to staff	147,644	136,732
Cash and cash equivalents	<u>13,346,718</u>	<u>13,670,915</u>
	<u>15,068,165</u>	<u>15,084,370</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 2022

(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 cash equivalents, members assessed contribution receivable, advances to staff 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 2022 totaled US\$697,863 (2021: US\$673,941) with a movement of US\$23,922 (2021: US\$17,666) for the year. The authorized ceiling of this fund was increased from US\$660,000 to US\$705,000 in 2022 (ISBA/25/A/14). Outstanding contributions totaled the amount of US\$7,137 (2021: US\$8,559). No funds were drawn from the Working Capital Fund for operational purposes in 2021 and 2022.

(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.

	2022	2021
	US\$	US\$
Opening balance	4,053,066	3,854,163
Contributions	20,000	40,000
Interest income (Note 17)	200,195	158,944
Less: expenses	(13,745)	(41)
	<hr/>	<hr/>
Ending balance	4,259,516	4,053,066
	<hr/>	<hr/>

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(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:

	2022 US\$	2021 US\$
Opening balance	145,038	46,074
Contributions	69,775	98,964
Interest income (Note 17)	879	-
Less: expenses	(79,943)	-
	<u>135,749</u>	<u>145,038</u>
Ending balance	<u>135,749</u>	<u>145,038</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:

	2022 US\$	2021 US\$
Opening balance	31,993	20,578
Contribution	22,000	22,200
Less: expenses	(41,586)	(10,785)
	<u>12,407</u>	<u>31,993</u>
Ending balance	<u>12,407</u>	<u>31,993</u>

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

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).

	2022	2021
	US\$	US\$
Opening balance	5,614	5,988
Contribution	21,339	7,500
Less: expenses	(10,004)	(7,874)
Ending balance	<u>16,949</u>	<u>5,614</u>
	US\$	US\$
<u>Reconciliation</u>		
Voluntary Trust Fund 1	135,749	145,038
Voluntary Trust Fund 2	12,407	31,993
Voluntary Trust Fund 3	<u>16,949</u>	<u>5,614</u>
	165,105	182,645
Refund to be credited/debited to GAF	<u>(132)</u>	<u>18,609</u>
Balance in bank account	<u>164,973</u>	<u>201,254</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. In 2022, the Authority received two new contributions to the fund. There are the Italian Junior Professional Programme and the European Union Sustainable Seabed Knowledge Initiative (SSKI).

Movements of the Support Trust Fund during the year:

	2022	2021
	US\$	US\$
Opening balance	697,707	737,828
Contributions	447,900	97,926
Less: expenses	(496,483)	(138,047)
Ending balance	<u>649,124</u>	<u>697,707</u>

INTERNATIONAL SEABED AUTHORITY

Notes to the Financial Statements

Year ended 31 December 2022

(expressed in United States dollars unless otherwise indicated)

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 chargers 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:

	2022 US\$	2021 US\$
Opening balance	505,178	427,308
Contribution	8,681	168,127
Less: expense	<u>(257,794)</u>	<u>(90,257)</u>
Ending balance	<u>256,065</u>	<u>505,178</u>

(f) ISA Partnership Fund

The Partnership Fund was established in line with the decision of the Assembly during the 27th session, in 2022, as a multi-donor trust fund pursuant to regulation 5.5 of the Financial Regulations of the International Seabed Authority. The objectives of the Partnership Fund are to: (a) Promote and encourage the conduct of marine scientific research in the Area for the benefit of humankind as a whole. (b) Provide qualified scientists and technical personnel from developing States with opportunities to participate in international marine scientific research programmes, including through training, technical assistance and scientific cooperation programmes (ISBA/27/A/L.2).

Movements of the Partnership Fund during the year:

	2022 US\$	2021 US\$
Opening balance	-	-
Contribution	132,124	-
Less: expense	<u>-</u>	<u>-</u>
Ending balance	<u>132,124</u>	<u>-</u>