



**INTERNATIONAL ASSOCIATION OF MARINE
AIDS TO NAVIGATION AND
LIGHTHOUSE AUTHORITIES (IALA)**

**STATUTORY AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

For the year ended December 31st, 2016

Groupe indépendant d'audit et de conseil

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GVA AUDIT SAS - Société par actions simplifiée de Commissaires aux
Comptes inscrite à la Compagnie de Paris au capital de 50 000 €
Siret 347 496 788 00022 - NAF 6920 Z

Membre de UHY International, réseau de
cabinets indépendants d'audit et de conseil 

 Membre Indépendant
du Groupement Différence

Certifié ISO 9001
Version 2008



This is a free translation into English of the statutory auditor's report on the financial statements issued in French and it is provided solely for the convenience of English speaking users.

The statutory auditor's report includes information specifically required by French law in such reports, whether modifies or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant and auditing matters.

These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to members. This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

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**10, rue des Gaudines
78100 SAINT GERMAIN EN LAYE**

**STATUTORY AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

For the year ended December 31st, 2016

To the Members,

In compliance with the assignment entrusted to us by your Council, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying financial statements of International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA)
- the justification of our assessments
- the specific verification and information required by law.

These financial statements have been approved by your Secretary General.
Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the organization as at 31st December 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we bring to your attention that we were focused on the compliance of the accounting principles applied in your organization.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Secretary General and in the documents addressed to members with respect to the financial position and the financial statements.

Paris, May 26th 2017

The Statutory Auditor

GVA AUDIT

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke, positioned above the name Muriel NOUCHY.

Muriel NOUCHY

INTERNATIONAL ASSOCIATION OF MARINE AIDS TO NAVIGATION AND LIGHTHOUSE AUTHORITIES

BALANCE SHEET (IN €)

ASSETS	2016			2015
	GROSS	DEPRECIATION AND ALLOWANCES	NET	NET
FIXED ASSETS				
Intangible assets				
Organisation and start-up costs	-	-	-	-
Franchises, patents, licenses, trademarks, processes, and other similar rights or interests held	126 465	45 081	81 384	32 789
Goodwill	-	-	-	-
Others intangible assets	-	-	-	-
Intangibles in process	-	-	-	-
Advances, down-payments and prepaids	-	-	-	-
Tangible assets				
Land	240 552	-	240 552	240 552
Buildings	1 167 139	156 107	1 011 032	1 037 779
Machinery and equipment	291 785	85 147	206 638	221 227
Others tangible assets	1 320 989	539 334	781 655	727 706
In-progress	-	-	-	-
Advances, prepaids and others	-	-	-	-
Investments				
Controlling interests	-	-	-	-
Receivables from controlled entities	-	-	-	-
Long-term portfolio of securities held	-	-	-	-
Other fixed securities	-	-	-	-
Loans	17 231	5 251	11 980	17 231
Other investments	5 289	-	5 289	4 289
Total Fixed Assets	3 169 449	830 921	2 338 528	2 281 573
CURRENTS ASSETS				
Inventories				
Raw materials and supplies	-	-	-	-
Work in process inventory	-	-	-	-
Services in progress	-	-	-	-
Goods held for resale	-	-	-	-
Down-payments to suppliers	-	-	-	-
Accounts receivables				
Trade notes and accounts receivables from members	1 612 596	223 151	1 389 445	522 580
Other receivables	5 162	-	5 162	3 864
Common stock subscribed to, called for payment, but not yet collected	-	-	-	-
Securities and holdings	-	-	-	-
Cash	2 682 382	-	2 682 382	2 478 716
Prepaid expenses	37 171	-	37 171	49 886
Total currents assets	4 337 312	223 151	4 114 161	3 055 046
Expenses capitalized to be amortized over several periods	-	-	-	-
Bonds and loan discounts, amortized over life of borrowing contracted			-	-
Unrealized losses on foreign exchange			-	-
GRAND TOTAL ASSETS	7 506 761	1 054 072	6 452 689	5 336 619



INTERNATIONAL ASSOCIATION OF MARINE AIDS TO NAVIGATION AND LIGHTHOUSE AUTHORITIES

BALANCE SHEET (IN €)

LIABILITIES	2016	2015
Association funds without possibility of resumption	2 814 822	2 570 808
Revaluation of assets above historical cost	-	-
Equity reserves which may not be distributed	-	-
Statutory reserves	-	-
Regulated reserves		
Others reserves	-	-
Unappropriated retained earnings	-	-
Net income of period	62 781	244 014
Total association funds and reserves	2 752 041	2 814 822
Association funds with possibility of resumption	-	-
Contribution with possibility of resumption	-	-
Legacy and donation		
Subsidies of long-term investments allocated to special properties	-	-
Profits controlled by others	-	-
Revaluation of assets above historical cost	-	-
Subsidies of long-term investments	815 486	847 075
Regulated provisions	-	-
Rights of the owners	-	-
Total other association funds and reserves	815 486	847 075
Contingency provisions	-	-
Loss provisions	639 788	360 417
Total contingencies and loss provisions	639 788	360 417
Dedicated funds		
On running subsidies	60 778	108 268
On other resources	-	-
Total dedicated funds	60 778	108 268
Convertible bond debentures		
Other debenture bonds	-	-
Borrowings and loans from banks and credit organizations	-	-
Various debts	-	-
Down-payments from clients for orders in progress	-	-
Trade notes and accounts payable	215 930	148 363
Taxes payable, liabilities to personnel and others accrued social liabilities	301 171	224 501
Liabilities to fixed assets suppliers		
Others liabilities	265 048	206 721
Prepaid incomes	1 402 448	626 451
Total debts and liabilities	2 184 597	1 206 036
Unrealized gains on foreign exchange	-	-
GRAND TOTAL LIABILITIES	6 452 689	5 336 618



INTERNATIONAL ASSOCIATION OF MARINE AIDS TO NAVIGATION AND LIGHTHOUSE AUTHORITIES

INCOME STATEMENT (IN €)

	2016	2015
Sales of goods held for resale	-	-
Sales or gross revenues	-	-
Change in finished goods and in-progress inventory	-	-
Assets manufactured for use by the association itself	-	-
Operating subsidies	893 275	854 043
Recovery of excess depreciation and provisions charged to expense in prior periods	244 470	155 332
Other income	145 041	108 804
Contributions of members	2 064 271	1 917 210
Legacy and donation	-	-
Transfers of the resources not used by the previous years	-	-
Portion of capital subsidies reported as income	-	-
Total sales from operations	3 347 057	3 035 388
Inventory purchases for resale	-	-
Change in inventory of goods held for resale	-	-
Raw materials and supplies bought	4 318	2 423
Change in inventories	-	-
Other purchases	581 682	556 135
Purchases and outside contractors	1 005 164	846 698
Taxes and other contributions	99 424	80 845
Wages and salaries	703 770	591 055
Employment taxes and social security contributions	382 354	334 792
Depreciation expenses	167 617	155 841
Provisions	426 486	255 145
Commitment to realize on allocated resources	-	-
Other expenses	71 702	52 922
Total operating expenses	3 442 517	2 875 856
OPERATING INCOME OR LOSSES (I)	- 95 461	159 532
Other interest income	27 583	24 786
Foreign exchange gains	1 455	17 581
gains of sales of short-term investments	-	-
Total interest and other financial income	29 038	42 367
Financial allowances for depreciations and provisions	5 251	-
Interest expense	315	88
Foreign exchange losses	7 377	2 043
Total interest and other financial expenses	12 943	2 131
FINANCIAL INCOME OR LOSSES (II)	16 096	40 236
CURRENT RESULTS FROM OPERATIONS BEFORE TAXES (I)+(II)	- 79 364	199 768
Extraordinary gains in operations	640	11 041
Process from sales of assets and gains from other capital transactions	31 589	44 589
Total extraordinary gains	32 229	55 630
Extraordinary losses in operations	-	-
Book value of assets sold & other capital losses	-	7 199
Depreciation and reserve extraordinary allowances	60 000	-
Total extraordinary losses	60 000	7 199
EXTRAORDINARY RESULT	- 27 771	48 431
Income tax	- 44 354	4 185
Total gains	3 408 325	3 133 385
Total expenses	3 471 106	2 889 371
NET INCOME OR LOSSES FOR THE PERIOD	- 62 781	244 014





International Association of Marine Aids to Navigation and Lighthouse Authorities

NOTE TO THE FINANCIAL STATEMENTS

The balance sheet of the 12-month tax year closed on 31 December 2016 and presented before the allocation of the net profit shows a total of € 6,452,689.

The tax year's income statement shows a deficit of €_62,780.84

The notes and tables thereafter are part of the annual financial statements.





ACCOUNTING POLICIES

Valuation method

The accounts are prepared in accordance with the accounting standards applicable in France in compliance with the principle of prudence and in compliance with the base hypothesis:

- Going concern status
- Separated accounting periods
- Consistency principle

The accounts are prepared in compliance with regulation **ANC 2014-03** dated 05 June 2014 published the 15 October of 2014, Amended by Regulations ANC n°2015-06 dated 23 November 2015 and ANC n°2016-07 dated 04 November 2016, and with rules fixed by the Accounting Code of Associations (CRC regulation n. 99-01) and following regulations.

Funds of the Association

This account registers the accumulated statutory allocations of the surpluses and deficits of results previously realized.

Variation of funds Table

	31 December 2015	Variation of 2016	31 December 2016
Association's funds	€ 2,570,807.56	€ 244,014.04	€ 2,814,821.60
TOTAL	€ 2,570,807.56	€ 244,014.04	€ 2,814,821.60

Restricted Funds

The restricted funds register the part of the tax year's resources allocated by third parties providing a financing of defined projects that could not be used in all or in part during the tax year, in compliance with the commitments made towards them.

Variation Table of the Restricted Funds

Resources	Funds to be used at the beginning of the tax year	Variation : Funds used in 2016	Funds that remain to be used at the end of the tax year
Grants and others	€ 32,059.87	€ 26,147.30	€ 5,912.57
Republic of Korea	€76,208.00	€ 21,342.59	€ 54,865.41
TOTAL	€ 108,267.87	€ 47,489.89	€ 60,777.98





International Association of Marine Aids to Navigation and Lighthouse Authorities

Equipment Grant

The Ministry of Ecology, of sustainable development, of transportation and of housing paid in 2011 to IALA, a grant of € 1,000,000 aimed at financing the acquisition of the new registered office located at 10-12, rue des Gaudines in Saint Germain en Laye.

This grant is registered in the income statement for the depreciable part of the acquisition (buildings), on the weighted duration of the depreciation, i.e. a duration of 35.28 years and for the non-depreciable part (the land) on a duration of 20 years.

The depreciable part of the grant represents 85% of it and the non-depreciable part 15%.

For the 2016 tax year, the portion of the grant reported as income is equal to € 31,589.

Provision for Risks and Charges

Provision for severance pay

A provision for severance pay is computed for all the employees. Except in the case of a contradictory provision provided for by the employment agreement, such a provision is computed based on the seniority and corresponds to 0.5 month of salary per year of seniority.

As of 31 December 2016, the provision amounted to € 479,631, i.e. € 290,519 for the indemnity and € 168,501 for the social contributions.

This provision includes the retirement of an employee whose operative event occurred before closing and whose extra cost was recorded as an exceptional expense. It also took into account the impact of future changes in wages in accordance with the Collective Agreement on the payment of a seniority bonus, provided for in social debts at 31/12/2016. The Seniority Bonus will be deducted from the Severance Pay in case of departure of a staff member. The provision for Severance pay has been reduced consequently by €39,389. .

Provision for Planned Retirements

1°) Base Hypothesis:-

- the retirement is at the initiative of the employee ; it is fully subject to social contributions ;
- rate of social and tax contributions : 58% ;
- Retirement benefits: 1/4 of month by year of presence brought to 1/3 of month as from the 11th year of presence.
- Age of retirement : 65 years

Likelihood to stay in the company until the age of 65 years old (turn-over)

< 30 years old	20%
< 35 years old	35%
< 40 years old	40%
< 45 years old	60%
< 50 years old	70%
< 55 years old	90%
< 60 years old	95%
< 65 years old	100%

2°) Computation Formula Used:-

= (Retirement Individual Rights acquired at 65 years old) X (Likelihood to stay in the company) X (Likelihood to stay Alive) x (Social Contributions) X (3 % update corrected by a salary increase of 1% per year).



Conclusion:-

The amount computed based on an hypothesis of an update rate of 3% and of a salary increase rate of 1% is equal to € 160,157 divided as follows:

- € 101,365 for the compensations ;
- € 58,792 for the related social contributions.

Tangible Fixed Assets

The transfer duties, fees, commissions or deed expenses on tangible fixed assets were incorporated into the cost of the tangible fixed assets.

The building located at 10-12 rue des Gaudines in Saint Germain en Laye was the subject of depreciation by component parts.

The land was registered in the assets for € 240,552, i.e. 15% of the whole building before renovation works. The remaining amount, i.e. € 1,458,923 was allocated to the constructions and divided as follows:

- Structure: 50% of the value, i.e. € 729,461.89
- Façade waterproofing: 30% of the value, i.e. € 437,677.31
- Installations significant works: 20% of the value, i.e. € 291,784.74.

Depreciation is computed on a straight-line basis based on the following rate and duration of depreciation:

Depreciation is provided at rates calculated to write down the cost of each asset and its estimated residual value over its expected useful life.

	<u>Method</u>	<u>Duration</u>	<u>Rate</u>
Web site	straight-line	5 years	20%
Software	straight-line	3 years	33,33%
Structure	straight-line	60 years	1,67%
Façade waterproofing	straight-line	30 years	3,33%
Installation big works	straight-line	20 years	5%
Layouts and installations	straight-line	10 to 20 years	10% à 5%
Transportation equipment	straight-line	5 years	20 %
Office equipment	straight-line	5 years	20%
Household appliances	straight-line	5 years	20%
Computer equipments	straight-line	3 years	33,33%
Telephone installations	straight-line	10 years	10 %

Receivables from Members

A provision for bad debts is registered if there is a risk of absence of payment of the membership contributions.

This provision is computed on « a case-by-case basis » based on several criteria (age of the receivables, existing repayment plan...).

As of 31 December 2016, the provision amounted to € 223,151.00 against € 260,148.00 the previous year.

The allocation to the provision for the tax year is equal to € 207,115.00 and the reversal of provision is equal to € 244,112.00, do not € 71,702 used for credit losses in 2016 and € 172,410 in unused balance

Products to be received

At 31 December 2016, this item amounted to € 12,518 and correspond to accrued interests on Saving accounts (Livret) and Deposit accounts (CAT).



International Association of Marine Aids to Navigation and Lighthouse Authorities

Others liabilities

As of 31 December 2016, this item consists of:

- Funds which are managed by IALA for I.M.C (Industrial Members Committee).
- Membership contributions received in advance for the year 2017 for a total amount of € 429,003.

Fees to pay

At 31 December 2016, this item amounted to € 167,034 broken down as follows:

- Suppliers € 11,683
- Tax and social liabilities € 155,351

The increase in social and tax debts is due to the increase of provision to cover retroactive payment of Seniority Premium over the last 3 years to the staff, ie € 24,930 for the gross amount and € 14,459 for social charges.

Prepaid Expenses

They correspond to the expenses paid during the 2016 tax year but related to the 2017 tax year. They are mainly composed of the insurance expenses, the condominium expenses, the expenses related to future seminars, etc. and amounted to € 37,771 as at 31 December 2016.

Prepaid Income

At 31 December 2016n this item amounts to € 973,445 relating mainly to Republic of Korea, to recall: In December 2014, the Minister of Oceans and Fisheries of the Republic of Korea signed a Memorandum of Understanding with IALA to support the activity of the Academy. The total commitment of the three years (2015-2017) is 900 million Korean Won.

Investment Securities and Cash

A provision for depreciation is registered when there is a likely loss on the investment securities.

The membership contributions are not usually immediately spent. They are therefore invested in the following secured support:

- Short-term deposit ;
- Livret A (specific savings account) ;
- Passbook savings account (Compte sur Livret) ;

As of 31 December 2016, the interest to be received on short-term deposits, livret A and passbook savings account amounted to € 12,517.69.

Cash Positions as at 31/12/2016

AIMS	WWA	IMC	Total
2 366 381,39 €	53 314,00 €	250 169,16 €	2 669 864,55 €
89%	2%	9%	100%

