



International Oil Pollution
Compensation Funds

Agenda Item 5	IOPC/OCT22/5/6/1	
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1992 Fund Executive Committee	92EC79	
Supplementary Fund Assembly	SA19	

2021 FINANCIAL STATEMENTS AND AUDITOR'S REPORT AND OPINION

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992 (1992 FUND)

Note by the Director

Summary:	As indicated in document IOPC/OCT22/5/6, the 1992 Fund Financial Statements and the Auditor's Report and Opinion are set out.
Action to be taken:	<u>1992 Fund Assembly</u> Approval of 2021 Financial Statements.

1 Introduction

- 1.1 In accordance with Article 29.2(f) of the 1992 Fund Convention, the Director has prepared the Financial Statements of the 1992 Fund for the financial year 2021. The Director has also prepared comments on the Financial Statements. These comments are contained in Section One of the Annex. Also contained in Section One of the Annex is a summary of the External Auditor's recommendations from the current and prior financial years and the actions taken on those recommendations.
- 1.2 In keeping with best practice, the Director has included a Statement on Internal Control which provides positive confirmation of the internal control framework. The Statement is contained in Section One of the Annex.
- 1.3 The Financial Statements of the 1992 Fund are audited by BDO LLP.
- 1.4 Pursuant to Financial Regulation 14.10, the External Auditor has submitted to the 1992 Fund Assembly, through its Chair, its Report on the audit of the Financial Statements of the 1992 Fund for the financial period ended 31 December 2021. The Auditor's Report is contained in Section Two of the Annex.
- 1.5 Under Financial Regulation 14.16, the External Auditor shall express an opinion on the Financial Statements on which it is reporting. This Opinion is contained in Section Two of the Annex.
- 1.6 Staff Regulation 26(b) provides that the Director shall establish and operate a Provident Fund to which both the 1992 Fund and staff members shall contribute on such terms and conditions as may be approved by the 1992 Fund Assembly. Under Staff Rule VIII.5(g), the auditing of the Provident Fund shall be carried out in conjunction with the annual audit of the accounts of the 1992 Fund.
- 1.7 The 2021 Financial Statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) as prescribed by Financial Regulation 12.1.

- 1.8 The certified Financial Statements for the financial period 1 January to 31 December 2021 are contained in Section Three of the Annex and consist of the following:

Statement I Statement of Financial Position at 31 December 2021

Statement II Statement of Financial Performance for the year ended 31 December 2021

Statement III Statement of Changes in Net Assets for the year ended 31 December 2021

Statement IV Statement of Cash Flow for the year ended 31 December 2021

Statement V Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2021

- 1.9 In addition to the Financial Statements submitted, such notes as may be necessary for a better understanding of the Financial Statements, including a statement of the significant accounting policies, are attached.

2 Action to be taken

1992 Fund Assembly

The 1992 Fund Assembly is invited to consider the External Auditor's Report and Opinion and approve the Financial Statements for the financial period 1 January to 31 December 2021.

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International Oil Pollution
Compensation Funds

Fonds internationaux
d'indemnisation pour les
dommages dus à la pollution
par les hydrocarbures

Fondos internacionales
de indemnización de daños
debidos a contaminación por
hidrocarburos

ANNEX

2021 FINANCIAL STATEMENTS AND AUDITOR'S REPORT AND OPINION

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992 (1992 FUND)

TABLE OF CONTENTS

	Page
Section One	3–21
Director's comments	3
Claims and claims-related expenditure as at 31 December 2021	12
Recommendations made by the External Auditor and summary of recommendations and Director's response	18
Statement on Internal Control	19
Section Two	22–43
External Auditor's Opinion	22
External Auditor's Report	26
Section Three	46–86
Financial Statements for the financial year ended 31 December 2021	47–51
Statement I — Statement of Financial Position at 31 December 2021	47
Statement II — Statement of Financial Performance for the year ended 31 December 2021	48
Statement III — Statement of Changes in Net Assets for the year ended 31 December 2021	49
Statement IV — Statement of Cash Flow for the year ended 31 December 2021	50
Statement V — Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2021	51
Notes to the Financial Statements	52

SECTION ONE

DIRECTOR'S COMMENTS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD 1 JANUARY TO 31 DECEMBER 2021

1 Introduction

- 1.1 The International Oil Pollution Compensation Funds (IOPC Funds) are intergovernmental organisations that provide compensation for oil pollution damage resulting from spills of persistent oil from tankers. The International Oil Pollution Compensation Fund 1992 (1992 Fund), which entered into force on 30 May 1996, was set up under the 1992 Fund Convention and is the second tier in the international civil liability and compensation regime.
- 1.2 The first tier is the 1992 Civil Liability Convention (CLC), which lays down the principle of strict liability of shipowners for oil pollution damage and creates a system of compulsory liability insurance. The shipowner is normally entitled to limit their liability to an amount that is linked to the tonnage of the ship. The 1992 Fund Convention establishes a regime for compensating victims when the compensation available under the CLC is inadequate and forms the second tier of compensation. Any State Party to the 1992 CLC may become Party to the 1992 Fund Convention and thereby become a Member of the 1992 Fund.
- 1.3 The maximum amount of compensation payable under the 1992 Conventions for any one incident is SDR 135 million^{<1>} in respect of incidents occurring before 1 November 2003 and SDR 203 million for incidents occurring after that date. These amounts, which at 31 December 2021 corresponded to some £141 million and £211 million, respectively, include the sum which may be attributed to the shipowner or their insurer (Protection and Indemnity Club (P&I Club)).
- 1.4 The 1992 Fund has an Assembly composed of all Member States and an Executive Committee of 15 Member States elected by the Assembly. The Assembly is the supreme governing body of the organisation, having, *inter alia*, the responsibility for financial matters. The main function of the Executive Committee is to approve the settlement of claims for compensation when either the Director is not authorised to make settlements or when the Director seeks policy approval on specific aspects of a claim. As a result of the global COVID-19 pandemic, as in 2020, all meetings of the governing bodies were held remotely through 2021.
- 1.5 The 1992 Fund is financed by contributions paid by any person who has received in the relevant calendar year in excess of 150 000 tonnes of crude oil or heavy fuel oil (contributing oil) in ports or terminal installations in a Member State after carriage by sea. The levy of contributions is based on reports of oil receipts in respect of individual contributors, which are submitted to the Secretariat by governments of Member States.
- 1.6 At its February/March 2006 session, the 1992 Fund Assembly took note of a voluntary agreement, the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) 2006, under which the shipowner/P&I Clubs would reimburse the 1992 Fund for part of the compensation payable by the Fund under the 1992 Fund Convention. The effect of STOPIA 2006 is that the maximum amount of compensation

^{<1>} The SDR (Special Drawing Right), the unit of account used in the Conventions referred to in paragraph 1.3, is valued on the basis of a basket of key international currencies and serves as the unit of account of the International Monetary Fund and a number of other intergovernmental organisations.

payable by owners of all ships of 29 548 gross tonnage or less is SDR 20 million. This voluntary agreement is applicable to the *Solar 1* incident, which occurred in 2006, the *Haekup Pacific* incident in 2013 and the *Trident Star* incident in 2016.

- 1.7 As at 31 December 2021, 118 States were Members of the 1992 Fund. A full list of current Member States of the 1992 Fund can be found in the Membership section of the IOPC Funds website: www.iopcfunds.org.

2 Secretariat

- 2.1 The 1992 Fund has a Secretariat, headed by a Director, based in London. The 1992 Fund Assembly, at its session in November 2021, appointed Mr Gaute Sivertsen from Norway as its next Director from 1 January 2022 to replace Mr José Maura from Spain, whose second term of five years concluded on 31 December 2021.
- 2.2 The 1992 Fund enjoys privileges and immunities under its Headquarters Agreement with the Government of the United Kingdom. The 1992 Fund Secretariat also administers the International Oil Pollution Compensation Supplementary Fund (Supplementary Fund). As at 31 December 2021, the Secretariat had 35 established posts.
- 2.3 The Director of the 1992 Fund is *ex officio* also the Director of the Supplementary Fund and is assisted by a Management Team in the day-to-day running of the joint Secretariat.
- 2.4 The Management Team consists of the Director, the Deputy Director/Head of the Finance and Administration Department, the Head of the External Relations and Conference Department, the Head of the Claims Department and the Head of the Information Technology Department. Related party disclosures in line with the International Public Sector Accounting Standards (IPSAS) requirements are included in the notes to the Financial Statements.
- 2.5 As a result of the global COVID-19 pandemic, staff of the Secretariat have been working remotely since March 2020 and this has continued throughout 2021. There has been a limited attendance at the office to perform certain functions when necessary, and attendance has been in accordance with the United Kingdom Government guidelines.
- 2.6 During the period of remote working, the Director has held regular staff meetings and has provided regular updates in relation to the planned reopening of the offices and other important information. Managers have been encouraged to communicate frequently with their staff to ensure health and well-being are maintained and provide support to ensure that the IOPC Funds continue to operate with minimal disruption.
- 2.7 The 1992 Fund uses external consultants to provide advice on legal and technical matters as well as on matters relating to management.
- 2.8 In connection with a number of major incidents, the Fund and the shipowner's third-party liability insurer have established joint local claims offices to facilitate the efficient handling of claims submitted and assist claimants generally. A local office is established to ensure smooth communication between the 1992 Fund and the claimants, technical experts, and lawyers with respect to claims and claims-related matters.

- 2.9 During 2021, the 1992 Fund Executive Committee authorised the Director to make compensation payments for one new incident – Incident in Israel. A local claims focal point rather than a local claims office was established at the end of 2021 with respect to this incident.
- 2.10 A summary of the incidents involving the 1992 Fund is set out in paragraph 7.5.

3 Governance

3.1 Audit Body

- 3.1.1 The governing bodies of the IOPC Funds have established a joint Audit Body for the two Funds composed of seven members elected by the 1992 Fund Assembly: six named individuals nominated by 1992 Fund Member States and one external expert with experience in audit matters nominated by the Chair of the 1992 Fund Assembly. The Chair and Vice-Chair of the Audit Body are elected by the 1992 Fund Assembly on the proposal by the Chair of the 1992 Fund Assembly from six elected individuals nominated by Member States.
- 3.1.2 In December 2020, the 1992 Fund Assembly elected a new Audit Body for a three-year term made up of the full complement of six members and extended the term of the external expert to 31 December 2021 on the proposal of the Chair of the 1992 Fund Assembly. At its session in November 2021, the Assembly elected a new external expert to serve for three years from 1 January 2022.
- 3.1.3 The Audit Body normally meets three times a year. In 2021, it met on four occasions in January, April, July, and November. All four meetings were held remotely due to the global pandemic.

3.2 Investment Advisory Body

- 3.2.1 The governing bodies of the IOPC Funds have established a joint Investment Advisory Body (IAB), consisting of three experts with specialist knowledge in investment matters appointed by the 1992 Fund Assembly to advise the Director on the Funds' investments.
- 3.2.2 At its session in December 2020, the 1992 Fund Assembly decided to reappoint two members of the joint Investment Advisory Body for a term of three years and reappoint one member for a period of two years while a suitable replacement was being sought.
- 3.2.3 The IAB normally meets four times a year, and in 2021 it met in March, June, September and November. The November meeting happened in person, while the others were held remotely.

3.3 Financial risk management

- 3.3.1 The IOPC Funds manage risk using a risk register consisting of two categories: operational risk and institutional risk. Operational risk has been sub-divided into five areas: finance and contributions; governance and management; compensation; safety and security; and communications and publications. For each of these areas, sub-risks have been identified, and the processes and procedures for their management have been mapped, assessed and documented. This exercise allows the IOPC Funds to prioritise key risks and to ensure that these risks have been adequately mitigated and managed. Annual reviews are conducted of the IOPC Funds' full risk register by management, and of the 'Key Risk Register' by the Audit Body.
- 3.3.2 The 1992 Fund has established a framework on internal control as set out in the Statement on Internal Control (see page 19).

- 3.3.3 The 1992 Fund's financial risk management policies focus on securing the Fund's assets, maintaining sufficient liquid assets for the operation of the Fund, avoiding undue currency risks and obtaining a reasonable return. Financial risk is managed using the Internal Investment and Hedging Guidelines approved by the Director, which have been developed in accordance with advice from the IAB. Established policies cover areas of financial risk such as foreign exchange, interest rate and credit risk, the use of financial instruments and the investing of liquid funds.
- 3.3.4 The 1992 Fund's credit risk is spread as widely as possible, and its investment policy limits the amount of credit exposure to any one counterparty and includes minimum credit quality guidelines.

4 2021 Financial Highlights

- 4.1 In accordance with IPSAS, the Financial Statements for the 1992 Fund are produced on an entity basis. The 1992 Fund classifies its activities into the General Fund and Major Claims Funds, and segment reporting of financial position and financial performance is provided in Note 25. Major Claims Funds are set up for incidents where expenditure for the incident exceeds SDR 4 million, with five Major Claims Funds in place through 2021, namely for the *Prestige*, *Hebei Spirit*, *Alfa I*, *Nesa R3* and *Agia Zoni II* incidents.
- 4.2 At an entity level, the closing net asset position presented in Statement I amounted to £46 692 357 (2020: £52 013 012). This represents a decrease of £5 320 655 from the opening balance on 1 January 2021 due to no 2020 contributions having been levied for receipt in 2021. The working capital for 2021 was maintained at £15 million, in line with the decision made by the Assembly in October 2019 (see document IOPC/OCT19/11/1, paragraph 9.1.14) as set out in paragraph 7.1 of this document.
- 4.3 In 2021, the total revenue was some £2.7 million, and the total expenditure was some £8.0 million.
- 4.4 The total revenue of £2.7 million includes some £2.2 million in relation to the recourse action against Samsung Heavy Industries Co. Ltd (SHI) in respect of the *Hebei Spirit* incident. The 1992 Fund's Executive Committee, at its November 2021 meeting, noted that the Limitation Court paid the amount of KRW 3 271 486 069 (some £2.2 million) to the 1992 Fund and further noted that the 1992 Funds' share from the SHI limitation fund had now been recovered.
- 4.5 The 1992 Fund's cash and cash equivalent assets at the end of the 2021 financial period, amounting to some £53 million (2020: £57 million), were held in pounds sterling (47%) and US dollars (12%) in respect of the General Fund and euros (41%) in respect of the *Prestige* and *Agia Zoni II* incidents and the General Fund.
- 4.6 With regard to contributions, the 1992 Fund Assembly decided in December 2020 not to levy contributions to the General Fund and approved the Director's proposal to meet the estimated budget deficit on the General Fund for 2021 by taking out a loan of £3.9 million from the *Hebei Spirit* Major Claims Fund on 1 March 2021 until 1 March 2022 when 2021 contributions shall be due. The 1992 Fund Assembly further decided not to levy 2020 contributions in respect of the *Prestige*, *Hebei Spirit*, *Alfa I*, *Nesa R3* and *Agia Zoni II* Major Claims Funds.
- 4.7 Other receivables, amounting to some £492 000, include taxes such as VAT, recoverable from the United Kingdom and Spanish Governments of some £213 000. Accrued interest on investments amounts to some £4 000, and accrued interest on overdue contributions amounts to some £138 000. Accrued income of some £4 000 is due from the P&I Club in relation to joint costs in respect of the *Hebei Spirit* incident.

- 4.8 Contributions-in-kind (£206 400) received in 2021 is the reimbursement received from the United Kingdom Government of 80% of the rent of the Secretariat offices in the International Maritime Organization (IMO) building.
- 4.9 Payment of compensation claims not previously provided for amounted to some £1.3 million during 2021, all of which related to the *Agia Zoni II* incident.
- 4.10 Claims-related expenditure incurred in 2021 amounted to some £1.1 million. Under the Memorandum of Understanding (MoU) with the International Group of P&I Clubs, the relevant P&I Clubs' share of joint costs in 2021 amounted to some £4 000 in respect of the *Hebei Spirit* incident. This amount has been offset against claims-related expenditure.

5 Secretariat budget

- 5.1 The budget for the running of the Secretariat is prepared on a modified cash basis. Expenses for running the Secretariat were made under six chapters (Statement of Comparison of Budget and Actual Amounts — Statement V) as set out in the table below:

Chapter		2021 Budget appropriations £	2021 Budget out-turn £	Underspend/ (overspend) as % of original budget appropriations
I	Personnel	3 253 778	3 028 842	6.9%
II	General services	758 509	635 955	16.2%
III	Meetings	110 000	114 306	(3.9%)
IV	Travel	100 000	-	100.0%
V	Other expenditure	426 000	182 180	57.2%
VI	Unforeseen expenditure	60 000	-	100.0%
Total		4 708 287	3 961 283	15.9%

- 5.2 The total Secretariat expenses (excluding external audit fees) amounted to £3 961 283 (2020: £3 934 204). This is £747 004 or 15.9% less than the 2021 budget appropriation of £4 708 287.
- 5.3 The budget appropriation approved by the 1992 Fund Assembly in December 2020 for 2021 was £4 708 287 for Chapters I–VI and £53 600 for Chapter VII, giving a total of £4 761 887.
- 5.4 As a result of the global COVID-19 pandemic, costs related to Meetings, Travel and Audit Body travel (Chapter V — Other Expenditure) show a large underspend.
- 5.5 Chapter I — Personnel
- 5.5.1 Expenditure under Personnel totalled £3 028 842 and covered salaries, separation/recruitment, staff benefits/allowances and training. The provision for employee benefits (as set out in paragraph 6.2) is not included in the budget out-turn figure.
- 5.5.2 Costs under this chapter make up 77% of the total administrative expenditure.

5.6 Chapter II — General Services

- 5.6.1 Of the £635 955 spent within this chapter, some 27% related to office accommodation, 57% to IT (hardware, software, maintenance and connectivity) and 6% to public information (including website and publications costs).
- 5.6.2 The 1992 Fund Secretariat relocated to the IMO headquarters building in 2016. The term of the lease entered into with IMO runs from 1 March 2016 and will expire on 25 October 2032. The rent has been fixed at £258 000 per annum with a break on 31 October 2024. The United Kingdom Government meets 80% of the costs related to the rental space of the Secretariat offices in the IMO headquarters building.
- 5.6.3 The budget line (f) Other supplies and services includes bank charges which in 2021 incorporated a liquidity fee charged by a house bank for holding euros. This budget line also includes interest paid by the General Fund to the *Hebei Spirit* Major Claims Fund for the loan, as set out in paragraph 4.6.
- 5.6.4 The budget out-turn includes the cost of purchase of fixed assets amounting to £9 378, whereas the Statement of Financial Performance (Statement II) instead includes the depreciation and amortisation cost of £27 158, in line with IPSAS requirements.
- 5.6.5 Costs under this chapter make up some 16% of the total administrative expenditure.

5.7 Chapter III — Meetings

- 5.7.1 In 2021, meetings of the IOPC Funds governing bodies were held remotely in March and July. The regular sessions of the governing bodies in November were also held remotely but included an in-person element for the election of the Director.
- 5.7.2 Costs under this Chapter amounted to some £114 000. This is some £4 000 more than the budget appropriation of £110 000 and in accordance with the 1992 Fund's Financial Regulation 6.2, which allows for the Director to exceed an appropriation in respect of any single class of expenditure by 5%.
- 5.7.3 Costs under this chapter make up some 3% of the total administrative expenditure.

5.8 Chapter IV — Travel

Travel for missions, conferences, seminars and workshops was not possible during 2021, resulting in a 100% underspend on this budget appropriation of £100 000.

5.9 Chapter V — Other expenditure

- 5.9.1 Expenses under this chapter include consultants' fees amounting to £30 223. Consultants' fees cover non-incident related studies and non-incident related legal fees. Most of the fees relate to legal fees covering advice on the Headquarters Agreement and on the interpretation of specific articles in the Fund Convention.
- 5.9.2 Other costs under this chapter relate to the Audit Body and Investment Advisory Body amounting to some £72 600 and some £79 400, respectively. As international travel was not possible in 2021, there was an underspend on travel of Audit Body members to London to attend meetings, contributing to the underspend of some 63% against the 2021 budget appropriation for the Audit Body.
- 5.9.3 Costs under this chapter make up some 5% of the total administrative expenditure.

5.10 Chapter VI — Unforeseen expenditure

There was no expenditure under this chapter for 2021, resulting in an underspend of £60 000 in 2021.

5.11 Chapter VII — External audit fees (1992 Fund expense only)

5.11.1 The 1992 Fund Assembly, at its October 2019 session, decided to reappoint BDO International as the IOPC Funds' External Auditor to audit the Financial Statements for a second four-year term, i.e. for the financial years 2020–2023 inclusive, subject to satisfactory performance. The external audit fee amounts to £53 600 per year. The annual audit fee was fixed for the four-year term on reappointment.

5.11.2 The expenses included in the Statement of Financial Performance (Statement II) are based on the requirements of the accounting standards. Total administrative expenses for 2021 were £4 183 929 (2020: £4 232 938), made up of staff and other personnel costs of £2 985 152 (2020: £3 054 002), and other administrative costs of £1 198 777 (2020: £1 178 936).

Expenses included	£
Statement of Financial Performance (Statement II)	4 183 929
Less:	
<u>In accordance with IPSAS:</u>	
Accommodation costs reimbursed by the United Kingdom Government	(206 400)
Depreciation and amortisation	(27 158)
Adjustment to provision for employee benefits	(37 665)
<u>1992 Fund expense only:</u>	
External audit fees - Chapter VI	(53 600)
Add:	
Fixed asset purchase - Chapter II	9 378
Provision for separated employees	81 354
Inter-fund loan interest	11 444
Joint Secretariat expenses Chapter I-VI on budget basis (paragraph 5.1)	3 961 283

6 Other assets and liabilities

6.1 At its first session, the 1992 Fund Assembly instructed the Director to carry out the tasks necessary for the setting up of the International Hazardous and Noxious Substances Fund (HNS Fund) as requested by the HNS International Conference on the basis that any related expenses would be treated as loans from the 1992 Fund. An amount of £470 436 (2020: £447 578), including interest of £48 262, is due from the HNS Fund when it is established. It can be reasonably expected that this balance will be recovered due to progress towards entry into force of the 2010 HNS Convention.

6.2 Provision for employee benefits (short-term and long-term) of £686 902 (2020: £649 237) has been made for accrued annual leave and separation benefits.

6.3 The Contributors' account has a balance of £142 732 (2020: £142 589) made up of reimbursement of contributions in accordance with the Assembly's decisions and net overpayments by contributors. Contributors have been informed by the Secretariat of their credit balances, but some contributors have decided to retain the amounts with the 1992 Fund to be offset against the future levy of contributions.

6.4 The staff Provident Fund is made up of two elements, namely Provident Fund 1 (PF1), which is invested with the 1992 Fund assets and Provident Fund 2 (PF2), which is managed by an independent financial

broker in the name of the 1992 Fund. Participation in PF2 is entirely voluntary, and new staff members can only participate in PF2 after completing one year of service in the Secretariat. Investing in PF2 is to be made only from the cash balance available in PF1. There is no possibility of investing private funds in PF2. All fees paid by those participating in PF2 are based on the proportion of their investment in PF2.

- 6.5 As at 31 December 2021, the PF1 had a balance of £4 209 742 (2020: £4 513 014) on the accounts of staff members. This balance reflects contributions to the Provident Fund during the financial year, transfers to and from PF2, withdrawals and repayments of housing loans, withdrawals on separation, and interest earned of £100 809 (2020: £50 330) on the investment of the assets of the Provident Fund (see Note 14 to the Financial Statements).
- 6.6 A transfer of £350 000 was made by staff members from PF1 to PF2 in 2021, as well as a withdrawal of £1 384 297. As at 31 December 2021, the value of the funds in PF2 was £1 494 419 (2020: £2 347 118).

7 General Fund and Major Claims Funds' balances

- 7.1 The General Fund balance on 31 December 2021 was £11 755 747 (2020: £16 083 278), showing a decrease of some £4.3 million. The General Fund balance is lower than the working capital of £15 million set by the 1992 Fund Assembly at its October 2019 session. The working capital is established to ensure that the 1992 Fund is able to meet compensation and claims-related expenses which have not been foreseen and occur between the regular sessions of the governing bodies. There was one new incident that occurred in 2021, resulting in unforeseen expenses.
- 7.2 The balances on the respective Major Claims Funds on 31 December 2021, specific to incidents, are as follows:

Balances on Major Claims Funds, £	
<i>Prestige</i> Major Claims Fund	481 734
<i>Hebei Spirit</i> Major Claims Fund	7 655 119
<i>Alfa I</i> Major Claims Fund	264 506
<i>Agia Zoni II</i> Major Claims Fund	26 172 616
<i>Nesa R3</i> Major Claims Fund	362 635

- 7.3 The contingent liabilities as at 31 December 2021 were estimated at some £46.0 million (2020: £36.9 million) in respect of 12 incidents (2020: 11 incidents). Further details on the incidents are provided in Note 26 to the 2021 Financial Statements.
- 7.4 A schedule of compensation and claims-related expenditure incurred in respect of open incidents involving the 1992 Fund is provided on page 12.

- 7.5 A summary of the total compensation and claims-related expenditure, on a cash basis (i.e. excluding provision), from both the General Fund (up to SDR 4 million) and the Major Claims Fund established for the incident, is as follows:

Incident	Date of incident	Compensation £	Claims-related expenses £	Total £
<i>Prestige</i>	13.11.02	106 621 900	24 618 746	131 240 646
<i>Solar 1*</i>	11.08.06	6 491 623	325 121	6 816 744
<i>Hebei Spirit</i>	07.12.07	119 575 604	37 556 596	157 132 200
<i>Redferm</i>	30.03.09	-	84 441	84 441
<i>Haekup Pacific*</i>	20.04.10	-	32 987	32 987
<i>Alfa I</i>	05.03.12	10 856 126	773 167	11 629 293
<i>Nesa R3</i>	19.06.13	6 703 800	425 039	7 128 839
<i>Trident Star*</i>	24.08.16	447 353	86 029	533 382
<i>Nathan E. Stewart (Incident in Canada)</i>	13.10.16	-	17 342	17 342
<i>Agia Zoni II</i>	10.09.17	13 143 285	4 107 658	17 250 943
<i>Bow Jubail</i>	23.06.18	-	161 413	161 413
<i>MT Harcourt</i>	02.11.20	-	4 463	4 463
<i>Incident in Israel</i>	17.02.21	-	160 682	160 682

* Under STOPIA 2006

A detailed breakdown by year is provided on pages 12 to 17.

8 Sustainability

- 8.1 The 1992 Fund Convention provides the 1992 Fund Assembly the authority to levy contributions that may be required to balance the payments to be made by the 1992 Fund. It also places an obligation on the contributors to make payment by a due date or bear interest on any arrears.
- 8.2 Based on the net assets held at the end of the period and the generally high percentage of receipt of the contributions levied by the due date, the going concern basis has been adopted in preparing the 1992 Fund's Financial Statements.

9 External Auditor's recommendations from previous financial years

- 9.1 The External Auditor made no recommendations in 2021, and there are no outstanding recommendations from previous financial years (page 18).



Gaute Sivertsen
Director
25 April 2022

10 Claims and claims-related expenditure as at 31 December 2021 (figures in pounds sterling)

Incident	Year	Compensation £	Legal fees £	Technical fees £	Various fees £	Other £	Total £
<i>Prestige</i> ^{<2>} , 13 November 2002							
	2021	-	46 383	-	6 836	44	53 263
	2020	-	39 049	-	27 130	29	66 208
Reimbursement from P&I Club	2019	23 502 518	226 241	150 801	36 133	9 862	23 925 555
	2019	-	-	(20 027)	-	-	(20 027)
Reimbursement from P&I Club	2018	-	361 941	146 719	27 339	7 337	543 336
	2018	-	-	(19 484)	-	-	(19 484)
Reimbursement from P&I Club	2017	-	375 037	175 527	34 033	3 912	588 509
	2017	-	-	(23 310)	-	-	(23 310)
Reimbursement from P&I Club	2016	45 229	234 346	145 060	34 392	27 326	486 353
	2016	-	-	(19 264)	-	-	(19 264)
Reimbursement from P&I Club	2015	238	66 242	42 733	28 238	6 732	144 183
	2015	-	-	(5 887)	-	-	(5 887)
Reimbursement from P&I Club	2014	38 323	204 580	53 571	25 666	10 114	332 254
	2014	-	-	(6 895)	-	-	(6 895)
Reimbursement from P&I Club	2013	53 811	904 052	340 051	131 867	11 682	1 441 463
	2013	-	-	(50 124)	-	-	(50 124)
Reimbursement from P&I Club	2012	-	882 326	454 536	51 095	6 766	1 394 723
	2012	-	-	(55 821)	-	-	(55 821)
Reimbursement from P&I Club	2011	107 197	876 299	696 430	18 108	2 692	1 700 726
	2011	-	-	(92 062)	-	-	(92 062)
Reimbursement from P&I Club	2010	62 446	1 123 739	785 355	23 309	3 195	1 998 044
	2010	-	-	(119 399)	-	-	(119 399)
Reimbursement from P&I Club	2009	253 735	1 016 806	1 389 357	33 428	3 340	2 696 666
	2009	-	-	(218 703)	-	-	(218 703)
Reimbursement from P&I Club	2008	251 641	699 131	1 241 573	34 636	3 731	2 230 712
	2008	-	-	(171 669)	-	-	(171 669)
Reimbursement from P&I Club	2007	1 109 424	661 652	1 208 692	64 583	8 488	3 052 839
	2007	-	-	(20 153)	-	-	(20 153)
Reimbursement from P&I Club	2006	40 537 569	664 774	1 663 608	135 402	23 225	43 024 578
	2006	-	-	(1 000 000)	-	-	(1 000 000)
	2005	621 316	356 892	2 052 910	208 059	31 557	3 270 734
	2004	123 033	285 311	1 865 281	175 002	288 810	2 737 437
	2003	39 915 420	252 526	2 760 248	280 599	120 473	43 329 266
	2002	-	-	35 969	-	10 626	46 595
Total to date		106 621 900	9 277 327	13 385 623	1 375 855	579 941	131 240 646

Incident	Year	Compensation £	Legal fees £	Technical fees £	Various fees £	Other £	Total £
<i>Solar 1, 11 August 2006</i> (Under STOPIA 2006) ^{<3>}							
	2021	-	30 545	-	-	455	31 000
	2020	-	11 384	-	-	42	11 426
	2019	-	18 824	-	-	-	18 824
	2018	-	17 746	-	-	-	17 746
	2017	-	18 255	-	377	24	18 656
	2016	-	6 588	-	-	33	6 621
	2015	-	9 503	-	-	12	9 515
	2014	-	10 156	-	-	-	10 156
	2013	-	6 843	-	-	12	6 855
	2012	-	18 272	656	-	6	18 934
	2011	-	10 270	-	-	6	10 276
	2010	17 798	8 692	635	-	897	28 022
Reimbursement from P&I Club	2010	-	-	-	-	(573)	(573)
	2009	390 508	33 077	3 800	-	7 294	434 679
Reimbursement from P&I Club	2009	-	-	-	-	(1 663)	(1 663)
	2008	281 908	-	-	-	10 990	292 898
Reimbursement from P&I Club	2008	-	(43 052)	-	(77 879)	(10 925)	(131 856)
	2007	3 835 532	46 658	-	80 677	67 167	4 030 034
	2006	1 965 877	-	-	248	39 069	2 005 194
Total to date		6 491 623	203 761	5 091	3 423	112 846	6 816 744

Incident	Year	Compensation £	Legal fees £	Technical fees £	Various fees £	Other £	Total £
<i>Hebei Spirit^{<4>}, 7 December 2007</i>							
Reimbursement from P&I Club	2021	-	19 499	294 778	-	1 977	316 254
	2021	-	-	(4 074)	-	-	(4 074)
Reimbursement from P&I Club	2020	2 275 799	34 377	11 943	-	1 197	2 323 316
	2020	-	-	(4 587)	-	-	(4 587)
Reimbursement from P&I Club	2019	33 188 143	506 347	8 334	29 109	12 973	33 744 906
	2019	-	-	(3 667)	-	-	(3 667)
Reimbursement from P&I Club	2018	(1 861)	923 635	32 487	2 018	38 130	994 409
	2018	-	-	(14 276)	-	-	(14 276)
Reimbursement from P&I Club	2017	48 147 120	721 150	145 908	5 553	23 589	49 043 320
	2017	-	-	(64 218)	-	-	(64 218)
Reimbursement from P&I Club	2016	24 064 868	1 431 530	767 394	-	79 157	26 342 949
	2016	-	-	(337 653)	-	0	(337 653)
Reimbursement from P&I Club	2015	11 901 535	1 585 233	2 221 723	-	390 507	16 098 998
	2015	-	-	(977 507)	-	-	(977 507)
Reimbursement from P&I Club	2014	-	1 499 185	1 652 666	-	53 866	3 205 717
	2014	-	-	(715 743)	-	(343)	(716 086)
Reimbursement from P&I Club	2013	-	933 971	1 194 111	-	45 725	2 173 807
	2013	-	-	(463 652)	-	-	(463 652)
Reimbursement from P&I Club	2012	-	306 560	3 132 934	-	62 972	3 502 466
	2012	-	-	-	-	(343)	(343)
Reimbursement from P&I Club	2011	-	512 816	4 211 595	-	155 240	4 879 651
	2011	-	-	-	-	(5 359)	(5 359)
Reimbursement from P&I Club	2010	-	287 299	5 907 901	-	150 818	6 346 018
	2010	-	-	(1 523)	-	(12 793)	(14 316)
Reimbursement from P&I Club	2009	-	2 332 643	5 072 399	31 312	110 021	7 546 375
	2009	-	-	(9 320)	-	(21 255)	(30 575)
	2008	-	248 382	2 903 118	156	96 682	3 248 338
	2007	-	-	-	-	1 989	1 989
Total to date		119 575 604	11 342 627	24 961 071	68 148	1 184 750	157 132 200

Incident	Year	Compensation £	Legal fees £	Technical fees £	Various fees £	Other £	Total £
<i>Redfferm, 30 March 2009</i>							
	2021	-	3 350	-	-	-	3 350
	2020	-	1 850	-	-	-	1 850
	2019	-	5 850	-	-	-	5 850
	2018	-	3 600	-	-	-	3 600
	2017	-	1 675	-	-	-	1 675
	2016	-	2 425	-	-	209	2 634
	2015	-	-	-	-	-	0
	2014	-	1 625	-	-	35	1 660
	2013	-	24 850	6 978	-	292	32 120
	2012	-	7 125	11 827	-	12 750	31 702
Total to date		-	52 350	18 805	-	13 286	84 441
<i>Haekup Pacific, 20 April 2010</i>							
	2021	-	1 129	-	-	-	1 129
	2020	-	5 116	-	-	-	5 116
	2019	-	6 344	-	-	36	6 380
	2018	-	236	-	-	-	236
	2017	-	4 029	-	-	39	4 068
	2016	-	8 526	-	424	129	9 079
	2015	-	0	-	-	-	-
	2014	-	0	-	-	-	-
	2013	-	6 975	-	-	4	6 979
Total to date		-	32 355	-	424	208	32 987
<i>Alfa I, 5 March 2012</i>							
	2021	-	115 767	-	-	-	115 767
	2020	-	77 869	-	-	-	77 869
	2019	-	18 803	-	-	2 034	20 837
	2018	-	56 666	364	-	10 521	67 551
	2017	-	174 540	4 197	251	10 483	189 471
	2016	10 856 126	112 062	12 375	1 161	7 918	10 989 642
	2015	-	23 212	20 333	-	2 749	46 294
	2014	-	66 998	19 155	405	2 598	89 156
	2013	-	7 976	725	-	68	8 769
	2012	-	14 103	6 477	522	2 835	23 937
Total to date		10 856 126	667 996	63 626	2 339	39 206	11 629 293

Incident	Year	Compensation £	Legal fees £	Technical fees £	Various fees £	Other £	Total £
<i>Nesa R3, 19 June 2013</i>							
	2021	-	12 280	-	-	19	12 299
	2020	-	14 374	9 008	-	4 007	27 389
	2019	21 654	18 413	-	28 537	31 440	100 044
	2018	3 533 737	65 402	25 343	2 017	5 730	3 632 229
	2017	174 192	37 146	7 500	2 333	522	221 693
	2016	1 344 648	24 726	20 737	-	2 302	1 392 413
	2015	868 298	44 334	25 351	4 514	5 312	947 809
	2014	761 271	3 030	16 722	-	4 345	785 368
	2013	-	-	6 920	-	2 675	9 595
Total to date		6 703 800	219 705	111 581	37 401	56 352	7 128 839
<i>Trident Star, 24 August 2016 (Under STOPIA 2006)^{<3>}</i>							
	2021	-	7 543	-	-	28	7 571
	2020	447 353	15 256	-	-	332	462 941
	2019	-	8 354	-	28 166	21	36 541
	2018	-	14 159	-	2 018	19	16 196
	2017	-	6 664	-	2 423	22	9 109
	2016	-	800	-	-	224	1 024
Total to date		447 353	52 776	-	32 607	646	533 382
<i>Nathan E. Stewart ^{<5>}, 13 October 2016</i>							
	2021	-	174	-	-	-	174
	2020	-	1 080	-	-	10	1 090
	2019	-	13 090	-	-	19	13 109
	2018	-	2 969	-	-	-	2 969
Total to date		-	17 313	-	-	29	17 342

Incident	Year	Compensation £	Legal fees £	Technical fees £	Various fees £	Other £	Total £
<i>Agia Zoni II, 10 September 2017</i>							
	2021	235 898	262 311	60 836	4 913	497	564 455
	2020	2 798 207	388 369	414 952	20 344	(7)	3 621 865
	2019	959 049	187 030	678 036	46 358	5 194	1 875 667
	2018	9 150 131	54 561	820 979	39 264	10 205	10 075 140
	2017	-	85 433	936 781	69 696	21 906	1 113 816
Total to date		13 143 285	977 704	2 911 584	180 575	37 795	17 250 943
<i>Bow Jubail, 23 June 2018</i>							
	2021	-	54 935	-	15 057	-	69 992
	2020	-	90 731	-	690	-	91 421
Total to date		-	145 666	-	15 747	-	161 413
<i>MT Harcourt, 02 November 2020</i>							
	2021	-	-	-	4 463	-	4 463
Total to date		-	-	-	4 463	-	4 463
<i>Incident in Israel, 23 July 2021^{<6>}</i>							
	2021	-	319	152 559	7 804	-	160 682
Total to date		-	319	152 559	7 804	-	160 682

<2> Joint costs reimbursement by P&I Club.

<3> Compensation payments reimbursed by the P&I Club under STOPIA 2006.

<4> USD 5 million (£3 137 550) received as a result of legal settlement between the 1992 Fund and the P&I Club with Samsung Heavy Industries and Samsung C&T Corporation. The amount is accounted under 'Other revenue' in 2012.

<5> Reported in 2018 as 'Incident in Canada', prior to becoming 1992 Fund incident *Nathan E. Stewart*.

<6> Date of authorisation of payments by Executive Committee.

Note: Compensation paid in 2021 totalled £235 898 (Note 20).

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992
RECOMMENDATIONS MADE BY THE EXTERNAL AUDITOR IN THE REPORT ON THE FINANCIAL STATEMENTS
SUMMARY OF RECOMMENDATIONS AND DIRECTOR'S RESPONSE

11 FINANCIAL STATEMENTS 2021 — Recommendations and response

- 11.1 No recommendations from prior years remain ongoing.
- 11.2 No recommendations were made by BDO during the audit of the Financial Statements 2021.

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992
STATEMENT ON INTERNAL CONTROL

12 Scope of Director's responsibility

- 12.1 Under Article 28.2 of the 1992 Fund Convention, the Director shall be the legal representative of the International Oil Pollution Compensation Fund 1992 (1992 Fund). Each Contracting State shall, pursuant to Article 2.2 of the 1992 Fund Convention, recognise the Director as the legal representative of the 1992 Fund.
- 12.2 Under Article 29.1 of the 1992 Fund Convention, the Director shall be the chief administrative officer of the 1992 Fund. As chief administrative officer, the Director has responsibility for maintaining a sound system of internal control that supports the achievement of the 1992 Fund's policies, aims and objectives, while also safeguarding the 1992 Fund's assets.
- 12.3 As a result of these provisions, the Director has the authority, *vis-à-vis* third parties, to commit the 1992 Fund without restrictions, unless the third party concerned has been informed of any limitation of this authority decided by the Assembly or Executive Committee.
- 12.4 The Director is, however, bound by any restriction of his authority decided by the Assembly or Executive Committee. He may delegate his authority to other officers within the limits laid down by the Assembly. Pursuant to the authority given and within the limits laid down by the IOPC Funds governing bodies, the Director has delegated his authority to other officers by Administrative Instructions.
- 12.5 The 1992 Fund and the International Oil Pollution Compensation Supplementary Fund (Supplementary Fund) are together referred to as the IOPC Funds. The IOPC Funds are managed by a joint Secretariat headed by the Director. The 1992 Fund administers the joint Secretariat, and staff members are, therefore, employed by the 1992 Fund.
- 12.6 In 2021, the Director was assisted by a Management Team comprising of the Deputy Director/Head of the Finance and Administration Department, the Head of the External Relations and Conference Department, the Head of the Claims Department and the Head of the Information Technology Department for the day-to-day running of the Secretariat.
- 12.7 As a result of the global COVID-19 pandemic, staff of the Secretariat of the IOPC Funds have been working remotely for most of 2021 and there has been a limited attendance at the office when required and, from September 2021, an increased physical presence in accordance with the United Kingdom Government guidelines. As a result of remote working since 2020, certain procedures were modified without compromising the internal controls.
- 12.8 During the period of remote working, the Director has held regular staff meetings via Microsoft Teams and has provided regular updates in relation to the planned reopening of the offices, as well as other important information. Managers have been encouraged to communicate frequently with their staff to ensure health and well-being are maintained and to provide support to ensure that the IOPC Funds continue to operate with minimal disruption.

13 Statement on the system of internal control

- 13.1 The Director has the responsibility for maintaining a sound system of internal control that supports the work of the 1992 Fund. The system of internal control is designed to manage risk to a reasonable

level rather than to eliminate all risk of failure to achieve policies, aims and objectives; therefore, it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks, evaluate the likelihood and impact of those risks being realised, and manage them efficiently, effectively and economically.

- 13.2 The Management Team normally meets on a weekly basis to exchange information and brief the Director on matters that may require attention. These weekly meetings, and other meetings held by the Management Team to discuss substantive matters of policy and work, are documented and matters are followed up as required. These meetings provide the necessary forum where Management Team members entrusted with specific areas of responsibility can discuss issues including internal control and risks arising in the organisation. The Director obtains assurance from these meetings that there are sufficient internal controls in place and that the risks are mitigated and managed across the organisation.
- 13.3 The joint Audit Body was established by the IOPC Funds governing bodies and meets formally at least three times a year. These meetings were also held remotely during 2021. The Audit Body has the mandate, *inter alia*, to review the adequacy and effectiveness of the organisation with regard to key issues of management and financial systems, financial reporting, internal controls, operational procedures and risk management, to review the organisation's Financial Statements and reports, and to consider all relevant reports by the External Auditor including reports on the organisation's Financial Statements. This additional oversight provides further assurance to the Director, as well as the governing bodies, that appropriate internal controls are in place. The Audit Body reports to the 1992 Fund Assembly on an annual basis.
- 13.4 The joint Investment Advisory Body (IAB) was also established by the IOPC Funds governing bodies. It advises the Director on relevant procedures for investment and cash management controls, and these are monitored by the IAB, which provides the Director with further assurances regarding the internal controls that are in place in this area. The IAB also reviews the IOPC Funds' investments and foreign exchange requirements to ensure reasonable investment returns are achieved without compromising the IOPC Funds' assets. The IAB also monitors, on an ongoing basis, the credit ratings of financial institutions and reviews the credit ratings of institutions which meet the IOPC Funds' investment criteria. The IAB meets quarterly with the Director and Secretariat, and at least annually with the External Auditor when both parties are in attendance at Audit Body meetings. The IAB reports to the 1992 Fund Assembly on an annual basis.

14 Risk management

- 14.1 The Director continued a policy of reviewing the IOPC Funds' risk register to identify key risks across the organisation. These risks have been placed in two categories: operational risk and institutional risk. Operational risk has been sub-divided into five areas: finance and contributions; governance and management; compensation; safety and security; and communications and publications.
- 14.2 In 2021, the Management Team reviewed and assessed the sub-risks under these risk areas, following which the process and procedures for the management of these risks were documented. This exercise allowed the IOPC Funds to prioritise the key risks and ensure that these risks were adequately mitigated.
- 14.3 One overriding risk prevalent in 2021 was the impact of the global pandemic, and the Director ensured that both the Audit Body and the IAB were regularly updated as to how this risk was being mitigated and how the assets of the IOPC Funds were held securely.
- 14.4 The Key Risk Register is shared with the Audit Body at least annually, following the results of the annual risk management review and updates to the Register. The Audit Body and the Director jointly identify

areas of risk for more in-depth analysis. The Audit Body has made valuable contributions to the organisation's risk management, which provides further assurance to the Director that the processes are effective. The Audit Body makes specific reference to these matters in its annual report to the governing bodies.

15 The risk and control framework

- 15.1 The system of internal control is based on an ongoing process designed to ensure conformity with the 1992 Fund Convention, the Financial Regulations, the Internal Regulations and decisions of the 1992 Fund Assembly and Executive Committee.
- 15.2 The Assembly adopts the Financial Regulations and Internal Regulations necessary for the proper functioning of the 1992 Fund.
- 15.3 Staff Regulations are adopted by the 1992 Fund Assembly. Staff Rules are issued by the Director, and any amendments made to the Staff Rules are reported annually to the 1992 Fund Assembly. Administrative Instructions are issued by the Director as and when required.

16 Review of effectiveness

- 16.1 The review of the effectiveness of the system of internal control is carried out by the Director and is aided through the work of the Audit Body and that of the External Auditor. Any recommendations made by the External Auditor, in its management letter and other reports, are considered and a plan is agreed upon to address any identified weakness and to ensure continuous improvement of the current system. The Assembly is updated annually on the status of these recommendations.
- 16.2 As part of the process of further enhancing the system of control, the Director commissioned an internal audit needs assessment, which was discussed with the Audit Body at its meeting in April 2018. The outline plan and the areas to be reviewed over a three-year period agreed with the Audit Body, should provide added assurances to the Director on the effectiveness of the internal controls in place.
- 16.3 In mid-2019, Mazars LLP was engaged to undertake the internal audit reviews following the merger of the previous firm with the External Auditor, BDO LLP, in February 2019. A review of the Risk Management Framework was undertaken by Mazars LLP in late 2019 and was reviewed by the Audit Body in June 2020. No additional internal audit review was undertaken in 2020 and 2021 due to the global pandemic, and this will be addressed in 2022 when an internal audit review shall be made on the claims-handling process.
- 16.4 The work of the Audit Body, the External Auditor and the internal audit reviews provided additional assurances that the infrastructure and management controls in place provided a stable and secure platform to support the ongoing functioning of the IOPC Funds.
- 16.5 I am pleased to conclude that there existed an effective system of internal control for the financial year 2021.



Gaute Sivertsen
Director
25 April 2022

* * *

SECTION TWO

EXTERNAL AUDITOR'S REPORT AND OPINION

OPINION ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the International Oil Pollution Compensation Fund 1992 (the Fund) for the year ended 31 December 2021 which comprise the Statement of Financial Position, the Statement of Financial Performance, the Statement of Changes in Net Assets, the Statement of Cash Flows and the Statement of Comparison of Budget and Actual Accounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law including the Financial Regulations of the International Oil Pollution Compensation Fund 1992 (the Financial Regulations) and International Public Sector Accounting Standards (IPSASs).

In our opinion:

- the financial statements present fairly, in all material respects, the financial position of the International Oil Pollution Compensation Fund 1992 as at 31 December 2021 and of the results of its operations and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Fund's Financial Regulations and International Public Sector Accounting Standards; and
- accounting principles have been applied in the preparation of the financial statements on a basis consistent with that of the preceding period.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and applicable law. 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 Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the IESBA Code of Ethics for professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of these financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to

continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Emphasis of Matter – basis for accounting and use

In forming our opinion on the accounts, which is not modified, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Fund in complying with their financial reporting obligations. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Director is responsible for the other information. The other information comprises the information included in the annual report, including the Director's Comments on the Financial Statements and Statement on Internal Control, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on Regularity

In our opinion, in all material respects the revenue and expense have been applied to the purposes intended by the Fund's Assembly and the financial transactions conform to the Financial Regulations.

Responsibilities of the Director

The Director is responsible for the preparation of the financial statements and for such internal control as the Director 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, the Director is responsible for assessing the Fund'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 there is an intention to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

In preparing the financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund and enable the Director to ensure that the financial statements comply with the Fund regulations and IPSASs. The Director is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Director is responsible for ensuring that transactions of the Fund are in accordance with the Financial Regulations and legislative authority.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We considered the nature of the industry and sector, control environment and business performance including the design of remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets.
- We considered results of our enquiries of the Secretariat, and the Audit Body about their own identification and assessment of the risks of irregularities.
- We considered any matters we identified having obtained and reviewed the Fund's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and

- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- We considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud is in relation to contributions receivable (albeit not considered a significant risk). In common with all audits under ISAs, we are also required to perform specific procedures to respond to the risk of management override.
- We also obtained an understanding of the legal and regulatory frameworks that the Fund operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements and whether there had been any breaches of the Funds' Financial Regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

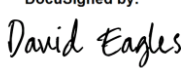
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Assembly of the International Oil Pollution Compensation Fund 1992 / Supplementary Fund (the Assembly), as a body, in accordance with the Financial Regulations of the Fund and our engagement letter.

Our audit work has been undertaken so that we might state to the Assembly those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent

permitted by law, we do not accept or assume responsibility to anyone other than the Assembly as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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David Eagles, Partner

For and on behalf of **BDO LLP**

27 April 2022

Assembly Report

INTERNATIONAL OIL POLLUTION COMPENSATION FUNDS

1992 Fund and Supplementary Fund
Year ended 31 December 2021

IDEAS | PEOPLE | TRUST 

CONTENTS

1	Introduction	3
	Welcome	3
2	Executive summary	4
	Overview	4
	The numbers	5
3	Audit risks	6
	Overview	6
	Management override of controls	7
	Compensation Payments, Provisions, and contingent Liabilities	8
	Compensation Payments, Provisions, and Contingent Liabilities 2	9
	Compensation Payments, Provisions, and contingent Liabilities 3	10
	Introduction of new accounting system	11
	Revenue - Contribution Income	12
	Revenue - Income from Hebei Spirit Limitation Fund	13
	Regularity of Deposits	14
4	Additional Considerations	15
	Other Reporting Matters	15
5	Independence	16
	Independence	16
6	Appendices contents	17

WELCOME

Contents

Introduction

Welcome

Executive summary

Audit risks

Additional Considerations

Independence

Appendices contents

We have pleasure in presenting our Assembly Report for both the 1992 Fund and Supplementary Fund. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two-way communication throughout the audit process.

It summarises the results of completing the planned audit approach for the year ended 31 December 2021.

We look forward to discussing these matters with you at the planned Assembly meetings in November 2022 and to receiving your input.

We would also like to take this opportunity to thank the Management and staff of IOPCF for their co-operation and assistance provided during the audit.

David Eagles, Partner
For and on behalf of **BDO LLP**

23 May 2022



David Eagles
Partner

m: +44 (0)7967 203431
e: David.Eagles@bdo.co.uk



Tharshiha Vosper
Senior Manager

t: +44 (0)20 3860 6271
m: +44 (0)7999 374180
e: Tharshiha.Vosper@bdo.co.uk



Duncan Wallace
Assistant Manager

t: +44 (0)7773 179440
m: +44 (0)7787 353700
e: Duncan.Wallace@bdo.co.uk

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit Body and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

Contents

Introduction

Executive summary

Overview

The numbers

Audit risks

Additional Considerations

Independence

Appendices contents

This summary provides an overview of the audit matters that we believe are important to the Assembly in reviewing the results of the audit of the financial statements for the 1992 Fund and the Supplementary Fund for the year ended 31 December 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

We issued an unmodified audit opinion on the financial statements of both the 1992 Fund and Supplementary Fund, in line with the agreed timetable.

We updated our risk assessment following receipt of the draft accounts which resulted in changes to those issued in our Audit Plan, these are detailed on page 6.

No restrictions were placed on our work.

We did not identify any significant control weaknesses and we are not aware of any suspected, alleged or actual fraud.

Our testing did not identify any unadjusted audit differences. The adjusted differences are explained on the next page.

Financial reporting

We have not identified any non-compliance with applicable accounting framework.

We have not identified any issues in respect of the going concern assertion.

No significant accounting policy changes have been identified impacting the current year.

We have not identified any inconsistencies between the Director's Comments and the financial statements.

We have not identified any issues regarding the regularity of transactions.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the International Oil Pollution Compensation Funds in accordance with the FRC's Ethical Standard.

THE NUMBERS

Executive summary

Contents

Introduction

Executive summary

Overview

The numbers

Audit risks

Additional Considerations

Independence

Appendices contents

Final Materiality

Materiality was determined based on 4% of Net Assets for both the 1992 Fund and Supplementary Fund.

We decreased the 1992 Fund materiality for 2021 from £1.97 million to £1.86 million as a result of a decrease in final net assets compared to the two years' average for the prior years.

We decreased the Supplementary Fund materiality for 2021 slightly from £57,600 to £55,400 as a result of a decrease in final net assets compared to the two years' average for the prior years.

Specific Materiality

We applied a lower specific materiality to transactions included in the Statement of Financial Performance. This was based on 2% of gross expenditure for both Funds. This was applied to our testing covering the financial statement areas for revenue and expenses.

The 1992 Fund specific materiality is £160,000 and the Supplementary Fund £800.

Audit adjustment

There were four audit differences identified by our audit work that impacted the 1992 Fund only and were adjusted by the Secretariat. These decreased the 1992 Fund draft deficit for the year of £5,421,819 by £101,164 and increased draft net assets of £46,591,192 by £101,164.

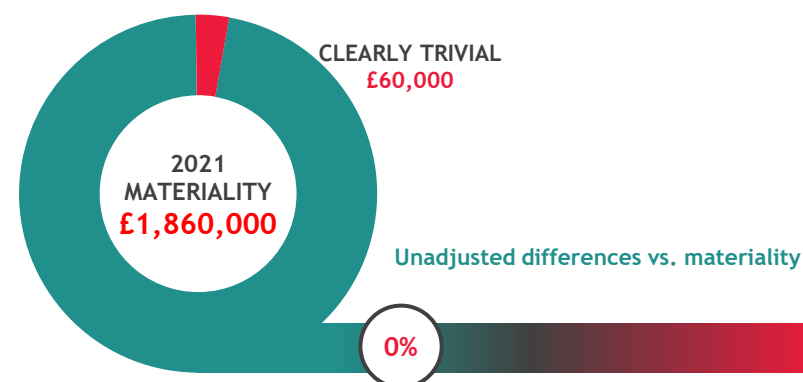
Unadjusted audit differences

Our testing did not identify any unadjusted audit differences to report.

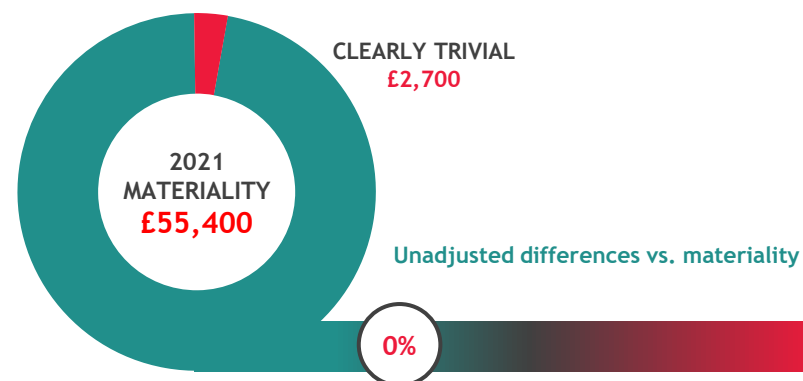
Audit scope

Our approach was designed to ensure we obtained the required level of assurance across the components of the group in accordance with ISA (UK) 600 (Audits of Group Financial Statements). This objective has been achieved.

1992 Fund



Supplementary Fund



OVERVIEW

As identified in our audit planning report dated 8 November 2021, and following our review of the draft accounts, we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

Audit Risk	Fund Impact		Significant Management Judgement Involved	Use of Experts Required	Audit Adjustment Identified	Specific Letter of Representation Point
	1992 Fund	Supplementary Fund				
■ Significant risk						
■ Normal risk						
Management override of controls			Yes	No	No	No
Compensation payments, provisions and contingent liabilities		No Risk	Yes	Yes	No	Yes
Introduction of new accounting system			No	No	No	No
Revenue - Contribution Income		No Risk	No	No	No	No
Revenue - Income from Hebei Spirit Limitation Fund		No Risk	No	No	No	No
Regularity of Cash Deposits		No Risk	No	No	No	Yes

■ Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Compensation Payments, Provisions, and contingent Liabilities
Compensation Payments, Provisions, and Contingent Liabilities 2
Compensation Payments, Provisions, and contingent Liabilities 3
Introduction of new accounting system
Revenue - Contribution Income
Revenue - Income from Hebei Spirit Limitation Fund
Regularity of Deposits
Additional Considerations
Independence
Appendices contents

ISA (UK) 240 notes that management is in a unique position to perpetrate fraud.

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Letter of Representation point

Risk description

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Details

We carried out the following planned audit procedures:

- Tested the appropriateness of journal entries with key risk characteristics recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Reviewed estimates and judgements applied by the Secretariat in the financial statements to assess their appropriateness and the existence of any systematic bias
- Considered unadjusted audit differences for indication of bias or deliberate misstatement.
- Reconciled the general ledger to the Statement of Comparison of Budget to Actuals and tested the accuracy of the mapping for all account codes
- Selected an increased sample of expenditure items to test that they have been appropriately classified within the classes of expenditure per the budget of appropriations

Results

Our audit work on journals did not identify any inappropriate entries in respect of the 1992 Fund or the Supplementary Fund.

Our views on significant management estimates in respect of compensation provisions are set out in this report and does not indicate any evidence of systematic bias in preparing the 1992 Fund financial statements.

There are no unadjusted audit differences to report in respect of the 1992 Fund and the Supplementary Fund.

All amounts in the ledger were reconciled to the budget comparison statement, with all reconciling items agreed to be appropriately excluded due to the different reporting requirements for the financial statements and the budget.

All sampled items were agreed to supporting documents and found to be correctly classified in their respective class of expenditure.

Conclusion

We have not identified any significant or unusual transactions which we consider to be indicative of fraud in relation to management override of controls in respect of both the 1992 Fund and Supplementary Fund.

We are satisfied that actual outturns reported against the approved budget are accurate and classified correctly.

COMPENSATION PAYMENTS, PROVISIONS, AND CONTINGENT LIABILITIES

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Compensation Payments, Provisions, and contingent Liabilities
Compensation Payments, Provisions, and Contingent Liabilities 2
Compensation Payments, Provisions, and contingent Liabilities 3
Introduction of new accounting system
Revenue - Contribution Income
Revenue - Income from Hebei Spirit Limitation Fund
Regularity of Deposits
Additional Considerations
Independence
Appendices contents

There is a risk that experts used to assess compensation claims will not be sufficiently independent, objective, or competent to effectively perform their role.

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Letter of Representation point

Risk description

Key issues relating to claims provisions include determining the point at which a claim should be recognised and the validity and completeness of that claim. This is both an accounting treatment issue and one where IOPC Funds needs to place heavy reliance on external parties.

The IOPC Funds rely heavily upon the use of technical experts in a variety of fields for the assessment of compensation claims prior to payment. The use of external experts introduces an inherent risk that the individuals or organisations engaged will not be sufficiently independent, objective or competent to carry out their role effectively.

Details

We carried out the following planned audit procedures:

- Substantive testing of claims paid during the year and provided for at year-end
- An evaluation of all experts used by the Funds to assess claims
- Testing the accuracy of the calculation for the provision
- A review of post year-end events to assess the provision, including any claims approved since the initial estimate
- Choosing an auditor point estimate based on the above work performed, and an evaluation of claims assessed but not approved against the recognition criteria
- Checking the accuracy of disclosures.
- A review of the overall liability positions for incidents approaching the Fund limits

Results

All claims tested substantively were agreed to expert assessments and payment approvals. All experts used were assessed as independent, objective, and competent.

Our testing of the provision calculation found the estimate to be reasonable and supported by claims reports. The post year-end review did not identify any claims which had been approved since the initial estimate was made.

The review of the claims which had been assessed but not approved did not identify any additional claims which we consider to meet the recognition criteria for the provision.

Our review of the Secretariat's estimate and assumptions of the compensation provision is set out on page 9.

Our review of the contingent liabilities disclosures did not identify any issues. See page 10 for further details of our review.

We did not identify any incidents that would soon reach the Fund limits.

Disclosure

The disclosures for both the accounting policy and the notes meet the requirements set out in IPSAS 19: *Provisions, contingent liabilities and contingent assets*.

Management Representation

We have sought specific representations over the judgements and assumptions the Secretariat has used to estimate compensation provisions and contingent liabilities.

Conclusion

We are satisfied that the compensation provision estimate is reasonable.

COMPENSATION PAYMENTS, PROVISIONS, AND CONTINGENT LIABILITIES 2

Estimate Detail

Contents

Introduction

Executive summary

Audit risks

Overview

Management override of controls

Compensation Payments,
Provisions, and contingent
Liabilities

Compensation Payments,
Provisions, and Contingent
Liabilities 2

Compensation Payments,
Provisions, and contingent
Liabilities 3

Introduction of new accounting
system

Revenue - Contribution Income

Revenue - Income from Hebei
Spirit Limitation Fund

Regularity of Deposits

Additional Considerations

Independence

Appendices contents

Estimates: Provision for Compensation £2,339,570

Impact

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The provision for compensation claims in respect of incidents disclosed in the draft financial statements was £2,339,570 as at 31 December 2021. This has increased by £1,014,457 from the prior year because a total value of £237,420 brought forward provision relating to the Agia Zoni II incidents was paid in 2021 with an additional £17,579 being reversed. There was a further new provision made which increased provisions by £1,335,013 in respect of Agia Zoni II as well a currency gain relating to the Agia Zoni II incident which decreased the provision by a further £65,557.

Provision is made for all claims approved by the relevant P&I Club and the 1992 Fund but not paid at the amount approved by the 1992 Fund, which reflects management's best estimate at that time or where a final judgement has taken place. Provision is also made for any significant claims approved between the year end and the date on which the Financial Statements are approved in respect of claims existing at the year end. Where approved claims have been pro-rated because there is uncertainty as to whether funds will be sufficient to allow further payments, no provision is made for such claims over and above the level of pro-rating, but the estimated maximum of such amounts is disclosed separately in the Financial Statements as a contingent liability.

We obtained reports from the CHS system and recalculated the provision estimate based on the total figures for claims approved and already paid. Our review of claims approved up to the date of the audit identified no additional claims approved since the year-end. There were no audit adjustments to the provision required in this respect.

Using reports from the CHS system we identified one claim with a total assessed value of £2,903,329.69 which had been not yet been approved. Based on the Fund's recognition criteria we agree with the Secretariat's view that this claim does not meet the reliable estimate criteria due to the uncertainty involved. We therefore agree that this claim has been correctly excluded from the provision. It has been included as part of the total disclosed for the contingent liability relating to the Agia Zoni II incident

We are satisfied that the methodology and the Secretariat's judgements and estimates used are reasonable.

COMPENSATION PAYMENTS, PROVISIONS, AND CONTINGENT LIABILITIES 3

Disclosure Detail

Financial statement disclosures: Contingent Liabilities £45,998,000

There are contingent liabilities of the 1992 Fund estimated at £45,998,000 in respect of 12 incidents as at 31 December 2021. This is an increase of £9,120,000 compared to the prior year, largely due to an additional £13,297,000 disclosed for the Incident in Israel. There are three incidents that account for 99% of the value disclosed in the financial statements and these are:

Agia Zoni II - £31,976,000

The contingent liability consists of compensation of £31,646,000 and other costs of £330,000. The former is calculated based on a total estimate of €60m compensation payable for the incident, less the CLC limit and any amounts already paid or provided for. The other costs are management's estimate of likely legal fees and assessment costs for the 2022 year. This is a reduction of £3,567,000 from the prior year due to additional claims being approved and the foreign exchange movement.

We have recalculated the estimated compensation costs and agreed that the total expert assessed estimated compensation costs is consistent with prior periods and is still appropriate. We have obtained and recalculated management's basis for calculating the other costs and ensured it is consistent with our understanding of the incident's status. Additionally we have used the criteria in IPSAS 19 to test if the incident and disclosed costs meet the definition of a contingent liability, namely it is a likely possible obligation or a present obligation but with no reliable estimate.

Incident in Israel - £13,297,000

The contingent liability consists of compensation of £13,047,000 and other costs of £250,000. No claims have yet been submitted, so the compensation element is based on the most recent information from the Israeli Government, who have informed the 1992 Fund they have already incurred clean costs totalling ILS 55 million. The other costs are management's estimate of likely legal fees and assessment costs for the 2022 year.

We have agreed the total compensation costs informed by the Israeli Government to supporting correspondence. We have obtained and recalculated management's basis for calculating the other costs and ensured it is consistent with our understanding of the incident's status. Additionally we have used the criteria in IPSAS 19 to test if the incident and disclosed costs meet the definition of a contingent liability, namely it is a likely possible obligation or a present obligation but with no reliable estimate.

Bow Jubail - £250,000

The balance is solely for other costs of £250,00 with no estimated compensation. Due to the status of the incident, which is still pending a legal challenge, it is uncertain if it will ultimately fall under the 1992 Fund's liability and therefore no compensation has been disclosed at this stage.

We agreed the disclosed fees estimate to the latest assessment performed and deemed the disclosure met the contingent liability definition as a possible obligation which is yet to be confirmed.

We are satisfied that contingent liabilities have been disclosed appropriately.

INTRODUCTION OF NEW ACCOUNTING SYSTEM

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Compensation Payments, Provisions, and contingent Liabilities
Compensation Payments, Provisions, and Contingent Liabilities 2
Compensation Payments, Provisions, and contingent Liabilities 3
Introduction of new accounting system
Revenue - Contribution Income
Revenue - Income from Hebei Spirit Limitation Fund
Regularity of Deposits
Additional Considerations
Independence
Appendices contents

There is a risk that balances have not been properly transferred and that the new system does not properly account for provisions and foreign exchange accounting issues.

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Control Findings to be reported in Mgmt letter
Letter of Representation point

Risk description

A new financial system, Microsoft Business Central, was introduced in 2021, replacing Fundman.

There is a risk that balances have not been appropriately transferred between systems and that the new BC system does not address previously reported shortcomings in provisions accounting requirements in respect of the preparation of a movement in provisions note, or the classification of foreign exchange gains and losses arising from these transactions.

Details

We carried out the following planned audit procedures:

- Obtained an understanding of the arrangements and controls operated by the Secretariat with regards to the complete and accurate transfer of opening balances in the new Microsoft Business Central system from Fundman
- Assessed the operation of the new system's treatment of provisions and foreign exchange accounting.
- Performed a "black box" test on one calculation to ensure the automatic calculation works as intended
- Agreed a sample of calculation inputs, such as exchange rates, to supporting documents.

Results

Our review of the arrangements and controls over the transfer of opening balances did not identify any issues and we are satisfied that all balances were transferred accurately.

We assessed the new systems treatment of provisions and processing of foreign exchange accounting to be sufficient.

We agreed the automatic calculation process in Microsoft BC was accurate.

All sampled calculation inputs were agreed to supporting documents or third party evidence and found to be accurate.

Conclusion

We have not identified any issues regarding the system transfer of opening balances from Fundman into the new accounting system Microsoft Business Central.

We are satisfied that the previous recommendation has been sufficiently addressed in the processing of transactions in respect of the preparation of the movement in provisions and the classification of foreign exchange gains and losses.

REVENUE - CONTRIBUTION INCOME

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Compensation Payments, Provisions, and contingent Liabilities
Compensation Payments, Provisions, and Contingent Liabilities 2
Compensation Payments, Provisions, and contingent Liabilities 3
Introduction of new accounting system
Revenue - Contribution Income
Revenue - Income from Hebei Spirit Limitation Fund
Regularity of Deposits
Additional Considerations
Independence
Appendices contents

There is a risk that contribution income from member states is calculated based on inaccurate or unreliable reports.

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Letter of Representation point

Risk description

There is a risk that contribution income recognised in the year is calculated based on inaccurate or untimely reports submitted to the Secretariat.

We consider there to be a low inherent risk around the complexity and uncertainty of this revenue stream. The calculation of contributions is non-complex however there is opportunity for error as it relies on data, in the form of oil reports, which may be unreliable.

When assessing these factors together with the magnitude of the relevant income compared to materiality, we consider this to be a risk of material misstatement.

Details

We have performed the following planned audit procedures:

- Selected a sample of contribution income in the year and recalculated the amount recognised
- Agreed the sample to the submitted oil reports
- Traced any receipts to the bank statements.

Results

All selected items were agreed to supporting oil reports and all calculations were found to be accurate. All amounts had been accurately billed and any receipts treated correctly.

Conclusion

We are satisfied that contribution income is supported by appropriate evidence and that the income has been appropriately recorded in the financial statements.



REVENUE - INCOME FROM HEBEI SPIRIT LIMITATION FUND

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Compensation Payments, Provisions, and contingent Liabilities
Compensation Payments, Provisions, and Contingent Liabilities 2
Compensation Payments, Provisions, and contingent Liabilities 3
Introduction of new accounting system
Revenue - Contribution Income
Revenue - Income from Hebei Spirit Limitation Fund
Regularity of Deposits
Additional Considerations
Independence
Appendices contents

There is a risk over the accounting treatment of the income from the Hebei Spirit Limitation Fund.

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Letter of Representation point

Risk description

The income received relating to the Hebei Spirit incident is an unusual transaction that is not processed regularly by the entity. Therefore, there is an inherent risk that the accounting treatment is incorrect. There is also a degree of subjectivity over the potential treatment which increases the inherent risk. The completeness, existence, and presentation of Other Revenue are in scope of these risk factors.

We do not consider there to be an inherent risk arising from complexity or uncertainty and have not identified any relevant fraud risk factors.

The transaction magnitude will be material and we have therefore concluded a normal level risk to be present.

Details

We have performed the following planned audit procedures:

- Assessed the treatment of the transaction as revenue against the requirements in IPSAS 23: *Revenue from Non-Exchange Transactions*
- Evaluated the classification of the transaction to the Hebei Spirit MCF
- Obtained supporting documentation for the date of the transaction and tested the recognition point.

Results

We have assessed the transaction as revenue in line with IPSAS 23. We have confirmed the transaction has been appropriately attributed to the Hebei Spirit MCF. We have obtained documented to support that the revenue has been correctly classified within the year ended 31 December 2021.

Conclusion

We are satisfied that revenue relating to the Hebei Spirit limitation fund has been appropriately recorded in the financial statements.



REGULARITY OF DEPOSITS

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Compensation Payments, Provisions, and contingent Liabilities
Compensation Payments, Provisions, and Contingent Liabilities 2
Compensation Payments, Provisions, and contingent Liabilities 3
Introduction of new accounting system
Revenue - Contribution Income
Revenue - Income from Hebei Spirit Limitation Fund
Regularity of Deposits
Additional Considerations
Independence
Appendices contents

There is a risk that deposit limits set with Institutions have been breached in the year and these breaches have not been reported.

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Letter of Representation point

Risk description

There is a risk that the entity has breached agreed deposit limits with certain banks, and that either these breaches have not been identified or are not appropriately disclosed.

This new risk does not reflect a change in circumstances but a choice to enhance our reporting to you in this area.

Details

We carried out the following planned audit procedures:

- Confirmed that all deposits held throughout the year were with counter parties on the approved list
- Reviewed all balances and tested against the permitted limits to identify any breaches
- Confirmed any breaches identified by the Secretariat have been adequately disclosed.

Results

We agreed that all deposits in the year were with approved counter parties.

Our review of balances throughout the year did not identify any instances of the permitted limits being breached.

There were no breaches identified by the Secretariat in the year and we confirmed that no additional disclosures were required.

Management Representation

We have sought specific representations that there have been no breaches of the Funds' Financial Regulations during the year ended 31 December 2021.

Conclusion

We have not identified any issues regarding the regularity of deposits held in the year. We are satisfied that no additional disclosures are required in this respect.



OTHER REPORTING MATTERS

Contents

Introduction

Executive summary

Audit risks

Additional Considerations

Other Reporting Matters

Independence

Appendices contents

Fraud

Whilst the Secretariat has ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the audit plan on 8 November 2021.

Laws and regulations

The most significant consideration(s) for the IOPC Funds are the IOPCF Founding Conventions. These are The International Convention on Civil Liability for Oil Pollution Damage (1992) and the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage (1992).

We made enquiries of the Secretariat and referred to the Conventions throughout the audit.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Going concern

We have nothing to report in respect of the Funds' assessment of the applicability of the going concern basis of accounting or the Funds' ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements or of which we are aware that we need to draw attention to in our report.

Regularity

We are required to give an opinion on whether, in all material respects, the Funds' expenditure and income have been applied to the purposes intended by the Fund Assemblies and in accordance with the Funds' Financial Regulations.

No issues have been identified in respect of regularity, and no evidence that Financial Regulations have been breached.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for Secretariat override or concealment or fraud.

We did not identify any significant matters in connection with related parties.

Control Environment Findings

We have not identified any significant deficiencies in the control environment as part of the audit.

Additionally, there are no prior year recommendations outstanding which have not yet been implemented.

INDEPENDENCE

Contents
Introduction
Executive summary
Audit risks
Additional Considerations
Independence
Independence
Appendices contents

Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 December 2021.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our planning report.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Funds.

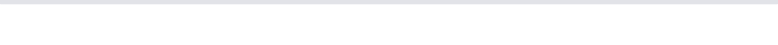
We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Funds.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

APPENDICES CONTENTS

Contents
<u>Appendices contents</u>
Our responsibilities
Audit quality

A	Our responsibilities	18
	Our responsibilities	18
B	Audit quality	19
	Audit quality	19



OUR RESPONSIBILITIES

Responsibilities and reporting

Contents

[Appendices contents](#)

[Our responsibilities](#)

Audit quality

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the Assembly.

We read and consider the ‘other information’ contained in the Annual Report such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We also form an opinion on whether revenue and expense have been applied for the purposes intended by the IOPC Funds’ Assemblies.

We are additionally required to include in our report:

- Where we conclude there is no material uncertainty in relation to going concern, a statement to that effect
- A conclusion that management’s use of the going concern basis of account is appropriate.
- An explanation of the extent to which the audit was capable of detecting irregularities, including fraud.

What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Audit Body and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



AUDIT QUALITY

Contents

[Appendices contents](#)

Our responsibilities

[Audit quality](#)



BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

David Eagles, Partner

m: +44 (0)7967 203431

e: David.Eagles@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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SECTION THREE

THE FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that to the best of our knowledge and information, all transactions during the period have been properly entered in the accounting records and that these transactions together with the appended Financial Statements numbered I to V and notes, details of which form part of this document, fairly present the financial position of the International Oil Pollution Compensation Fund 1992 as at 31 December 2021.



Gaute Sivertsen
Director



Ranjit S P Pillai
Deputy Director/Head of Finance and
Administration Department

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INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992
STATEMENT I
Statement of Financial Position
At 31 December 2021

		31-Dec-21	31-Dec-20
	Note	£	£
ASSETS			
Current assets			
Cash and cash equivalents	2	52 864 731	56 762 192
Contributions receivable	3, 5	1 019 410	967 300
Other receivables	4, 5	491 797	642 198
Staff Provident Fund (externally managed)	14	1 494 419	2 347 118
Total current assets		55 870 357	60 718 808
Non-current assets			
Due from HNS Fund	6	470 436	447 578
Property, plant and equipment	7	45 298	63 078
Intangible assets	8	-	-
Total non-current assets		515 734	510 656
TOTAL ASSETS		56 386 091	61 229 464
LIABILITIES			
Current liabilities			
Payables and accruals	9	270 743	239 381
Provision for compensation	10	2 339 569	1 325 113
Provision for employee benefits (short term)	11	319 219	273 878
Prepaid contributions	12	549 627	-
Contributors' account	13	142 732	142 589
Total current liabilities		3 621 890	1 980 961
Non-current liabilities			
Staff Provident Fund	14	5 704 161	6 860 132
Provision for employee benefits (long term)	11	367 683	375 359
Total non-current liabilities		6 071 844	7 235 491
TOTAL LIABILITIES		9 693 734	9 216 452
NET ASSETS		46 692 357	52 013 012
BALANCES			
		31-Dec-21	31-Dec-20
General Fund		11 755 747	16 083 278
<i>Prestige</i> Major Claims Fund		481 734	534 111
<i>Hebei Spirit</i> Major Claims Fund		7 655 119	5 747 560
<i>Alfa I</i> Major Claims Fund		264 506	380 614
<i>Agia Zoni II</i> Major Claims Fund		26 172 616	28 893 709
<i>Nesa R3</i> Major Claims Fund		362 635	373 740
Incident in Israel Major Claims Fund		-	-
GENERAL FUND & MAJOR CLAIMS FUNDS (MCFs)	15	46 692 357	52 013 012
BALANCES			

Notes are found on pages 52–86

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992
STATEMENT II
Statement of Financial Performance
For the year ended 31 December 2021

		2021	2020
	Note	£	£
REVENUE			
Contributions	17	97 402	10 826 082
Contributions-in-kind	18	206 400	206 400
Interest on investments		68 523	205 546
Other revenue	19	2 282 108	103 327
Total revenue		2 654 433	11 341 355
EXPENSES			
Compensation claims	20	1 317 433	1 059 175
Claims-related expenses	21	1 100 429	1 164 545
Personnel costs	22	2 985 152	3 054 002
Other administrative costs	22	1 198 777	1 178 936
Currency exchange differences	24	1 370 862	(836 714)
Amounts added to provision for contributions and interest, less amounts received	5	2 435	26 489
Total expenses		7 975 088	5 646 433
(DEFICIT)/SURPLUS FOR THE YEAR		(5 320 655)	5 694 922

Notes are found on pages 52–86

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992

STATEMENT III

Statement of Changes in Net Assets
For the year ended 31 December 2021

Accumulated surpluses / Fund balances										
		General Fund	<i>Prestige</i> MCF	<i>Hebei Spirit</i> MCF	<i>Volgoneft</i> 139 MCF	<i>Alfa I</i> MCF	<i>Agia Zoni II</i> MCF	<i>Nesa R3</i> MCF	Incident in Israel MCF	Total
	Note	£	£	£	£	£	£	£	£	£
TOTAL NET ASSETS at 31 December 2019	25	18 036 627	596 378	5 655 035	42 877	453 113	24 717 039	(3 182 979)	0	46 318 090
Surplus/(deficit) for the year ended 31 December 2020	25	(1 996 226)	(62 267)	92 525	0	(72 499)	4 176 670	3 556 719	0	5 694 922
Transfer of fund balance to General Fund upon closure of MCF, 1 Jan 2020	25	42 877			(42 877)					0
TOTAL NET ASSETS at 31 December 2020	25	16 083 278	534 111	5 747 560	0	380 614	28 893 709	373 740	0	52 013 012
Surplus/(deficit) for the year ended 31 December 2021	25	(4 327 531)	(52 377)	1 907 559	0	(116 108)	(2 721 093)	(11 105)	0	(5 320 655)
TOTAL NET ASSETS at 31 December 2021	25	11 755 747	481 734	7 655 119	0	264 506	26 172 616	362 635	0	46 692 357

Notes are found on pages 52–86

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992
STATEMENT IV
Statement of Cash Flow
For the year ended 31 December 2021

	Note	2021 £	2020 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(deficit) for the period		(5 320 655)	5 694 922
Adjustment for:			
Interest on investment ^{<1>}		(68 523)	(205 546)
Unrealised foreign exchange (gains)/losses		1 372 219	(188 360)
Depreciation and amortization	7, 8	27 158	25 838
		(3 989 801)	5 326 854
(Increase)/decrease in receivables	3, 4, 5, 6, 14	927 581	(739 176)
Increase/(decrease) in payables & accruals	9, 13	31 547	(298 176)
Increase/(decrease) in provisions	10, 11	1 117 678	(3 875 357)
Increase/(decrease) in Provident Fund (less interest)	14	(1 256 780)	(518 251)
Increase/(decrease) in prepaid contributions	12	549 627	(1 125 171)
Net cash flow from operating activities		(2 620 148)	(1 229 277)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned ^{<2>}		169 474	256 340
Increase in property, plant and equipment	7	(9 378)	(30 540)
Net cash flow from investing activities		160 096	225 800
Net (decrease)/increase in cash and cash equivalents		(2 460 052)	(1 003 477)
Cash and cash equivalents at beginning of the year		56 762 192	57 536 485
Exchange (losses)/gains on cash and cash equivalents		(1 437 409)	229 184
Cash and cash equivalents at end of the year	2	52 864 731	56 762 192

Notes are found on pages 52–86

^{<1>} Interest earned from investing the assets of the General Fund.

^{<2>} Interest earned from investing the assets of the General Fund and credit balances held by contributors.

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992 — STATEMENT V
GENERAL FUND — JOINT SECRETARIAT EXPENDITURE
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 31 December 2021

CLASS OF EXPENDITURE		NOTE	BUDGET APPROPRIATIONS		BUDGET OUT-TURN		BALANCE OF APPROPRIATIONS	
			2021	2020	2021	2020	2021	2020
			£	£	£	£	£	£
I	PERSONNEL							
a	Salaries		2 198 676	2 303 563	2 060 616	2 113 714	138 060	189 849
b	Separation and recruitment		120 000	40 000	159 412	83 447	(39 412)	(43 447)
c	Staff benefits, allowances and training		915 102	980 968	806 564	813 405	108 538	167 563
d	Conscious rewarding scheme		20 000	20 000	2 250	-	17 750	20 000
			3 253 778	3 344 531	3 028 842	3 010 566	224 936	333 965
II	GENERAL SERVICES							
a	Office accommodation		188 109	186 500	169 760	167 945	18 349	18 555
b	IT (hardware, software, maintenance and connectivity)		378 400	378 700	360 329	275 747	18 071	102 953
c	Furniture and other office equipment		17 000	15 000	9 840	10 839	7 160	4 161
d	Office stationery and supplies		9 000	10 000	3 457	2 136	5 543	7 864
e	Communications (courier, telephone, postage)		26 000	30 000	12 306	21 921	13 694	8 079
f	Other supplies and services		22 000	23 000	37 916	13 704	(15 916)	9 296
g	Representation (hospitality)		20 000	20 000	4 176	1 873	15 824	18 127
h	Public information		98 000	110 000	38 171	48 557	59 829	61 443
			758 509	773 200	635 955	542 722	122 554	230 478
III	MEETINGS		110 000	130 000	114 306	86 658	(4 306)	43 342
IV	TRAVEL							
	Conferences, seminars and missions		100 000	150 000	-	1 947	100 000	148 053
V	OTHER EXPENDITURE							
a	Consultants' fees		150 000	150 000	30 223	147 587	119 777	2 413
b	Audit Body		196 000	189 000	72 585	66 303	123 415	122 697
c	Investment Advisory Body		80 000	79 000	79 372	78 421	628	579
			426 000	418 000	182 180	292 311	243 820	125 689
VI	UNFORESEEN EXPENDITURE		60 000	60 000	-	-	60 000	60 000
TOTAL I – VI (excluding External Audit fees)			4 708 287	4 875 731	3 961 283	3 934 204	747 004	941 527
VII	EXTERNAL AUDIT FEES (1992 Fund only)		53 600	53 600	53 600	53 600	-	-
TOTAL EXPENDITURE I–VII			4 761 887	4 929 331	4 014 883	3 987 804	747 004	941 527
			23					

Notes are found on pages 52–86

NOTES TO FINANCIAL STATEMENTS

Note 1 — Accounting policies

- 1.1 These Financial Statements have been prepared on a consistent basis with prior years in accordance with Financial Regulation 12.3 of the International Oil Pollution Compensation Fund 1992 (1992 Fund) and in compliance with International Public Sector Accounting Standards (IPSAS).
- 1.2 No new IPSAS have been issued in 2021 and no modifications to existing IPSAS have been made that would affect the preparation of the 2021 Financial Statements. There have been no changes in the operation of the Funds, which might necessitate a review of applicable accounting standards.
- 1.3 The principal accounting policies followed in arriving at the financial information given in the respective statements are set out below (paragraphs 1.4 to 1.18).
- 1.4 Basis of preparation
- 1.4.1 The Financial Statements of the 1992 Fund have been prepared on the accruals basis of accounting in accordance with IPSAS, using the historical cost convention.
- 1.4.2 In accordance with the 1992 Fund's Financial Regulations:
- (a) the financial year is the calendar year; and
 - (b) the functional and reporting currency of the 1992 Fund is pounds sterling.
- 1.4.3 The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the statement of financial position and the amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.
- 1.4.4 No significant judgements have been made in applying the 1992 Fund's accounting policies other than those involving estimation.
- 1.4.5 The management has made estimations for the following which have the most significant effect on the amounts recognised in the Financial Statements:
- (a) compensation provision; and
 - (b) employee benefit provision.
- 1.5 Fund accounting and segment reporting
- 1.5.1 The Financial Statements are prepared on the entity basis, showing at the end of the period the consolidated position of all funds controlled by the 1992 Fund. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective.
- 1.5.2 The 1992 Fund classifies its fund activities into segments on the basis of a General Fund and Major Claims Funds (MCFs), as laid down in Financial Regulation 7. Fund balances represent the accumulated residual of revenue and expenses.
- 1.5.3 The General Fund covers the 1992 Fund's expenses for the administration of the organisation and for compensation payments and claims-related expenditure up to a maximum amount of the

pounds sterling equivalent of SDR 4 million per incident (Financial Regulation 7.1(c)(i)), converted at the rate applicable on the date of the incident. Working capital is maintained within the General Fund.

- 1.5.4 Separate MCFs are established for incidents where the total amount payable by the 1992 Fund exceeds SDR 4 million (Financial Regulation 7.2(d)).

Inter-fund loans

- 1.5.5 Interest on any loan made between the General Fund and an MCF is calculated at a preferential rate of 0.25% above the lowest London clearing bank base rate.

1.6 Revenue

Contributions

- 1.6.1 Income from contributions is treated as revenue from non-exchange transactions and is based on levies approved by the Assembly that are due in the financial period. Such income from contributions is recognised only after the contributions are invoiced on the basis of figures on contributing oil receipts reported by Member States.
- 1.6.2 In cases of contributions relating to previous levies based on late or amended oil reports submitted, the amount is recognised as income on the date of the invoice.

Interest on investments

- 1.6.3 Interest income on deposits is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable on a straight-line basis over the period of the investment.
- 1.6.4 The interest earned on investments of assets in currencies other than pounds sterling is translated into pounds sterling using the United Nations Operational Rates of Exchange.

Interest on overdue contributions

- 1.6.5 Income from interest on contributions comprises interest accrued on all contributions overdue at the end of the reporting period. No interest is charged on overdue interest.

Interest on loans to the HNS Fund

- 1.6.6 Interest on any loan made to the HNS Fund is calculated at a preferential rate of 0.25% above the lowest London clearing bank base rate.

1.7 Expenses

Foreign currency transactions

- 1.7.1 In accordance with Financial Regulation 10.4(a), the 1992 Fund's assets shall be held in pounds sterling, or, if the Director considers it appropriate, in other currencies, to meet claims and claims-related expenses.
- 1.7.2 Payments for compensation claims, claims-related expenses and administration expenses made in foreign currencies are converted into pounds sterling at the rate of exchange obtained from the bank on the date of the transaction.
- 1.7.3 Foreign currency is bought for pounds sterling and invested as part of the hedging strategy and used for making payments for compensation claims. Such payments are converted at the rate on the date

of the transaction as published in the London Financial Times (rates are derived from WM/Reuters spot rates and Morningstar).

Joint Secretariat's administrative expenses

- 1.7.4 The cost of running the joint Secretariat is borne by the 1992 Fund except for the External Auditor's fees for the 1992 Fund and the Supplementary Fund, which are paid for by the respective Fund. The 1992 Fund receives a flat management fee decided by the governing bodies towards the joint Secretariat's administrative costs for the reporting period in respect of time spent on work done for the Supplementary Fund.

Leases

- 1.7.5 Expenditure incurred under an operating lease, where the substantial risks and rewards of ownership are retained by the lessor, is charged on a straight-line basis over the life of the lease.

Taxes

- 1.7.6 Expenditure for goods and services is net of taxes.

1.8 STOPIA 2006 reimbursements

For incidents that fall under the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) 2006, reimbursement due from the shipowner's insurer (Protection and Indemnity insurance (P&I Club)) of compensation paid by the 1992 Fund is presented as revenue, and the corresponding expense is presented as compensation claims expense.

1.9 Currency exchange differences

For the translation of all monetary items held at the end of the reporting period in currencies other than pounds sterling, the rate applied is the rate of exchange for the pound sterling against various currencies on the last banking day of the financial year as published in the London Financial Times (rates are derived from WM/Reuters spot rates and Morningstar).

1.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and term deposits.

1.11 Financial instruments

- 1.11.1 Financial instruments held in pounds sterling to maturity and where the interest is also received in pounds sterling have been treated at the year-end as normal term deposits. As such, they are stated at the value of the investment made (historical cost) and interest is accrued as normal.

- 1.11.2 Amounts either paid to or received from financial institutions in respect of hedging instruments are treated as 'finance cost of hedging instrument' or 'income from hedging instrument', respectively.

- 1.11.3 Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

1.11.4 Receivables and payables are measured on an amortised cost basis using the invoice value.

1.12 Inventories

1.12.1 The costs incurred in bringing publications to a distributable state include translation costs and printing costs. Publications are distributed free of charge. Costs of publications are expensed in the year they are incurred.

1.12.2 No value in inventory is carried forward since the cost of stock at year-end is not material in value.

1.13 Property, plant and equipment

Purchased assets which exceed an agreed value threshold, currently £500, are capitalised at cost in accordance with Financial Regulation 11.4. The cost of all assets acquired not exceeding that threshold is immediately charged as an expense. An asset is capitalised at cost and depreciated to its estimated residual value over its useful economic life using the straight-line method. The cost of an asset includes the purchase price, shipping, and set-up charges. Depreciation is charged on an annual basis, with a full month's charge in the month of purchase and no charge in the month of disposal.

Class of asset	Useful life
Computer equipment	3–5 years
Office fixtures and fittings	5 years
Telecommunications equipment	5 years

1.14 Intangible assets

Purchased computer software is capitalised at cost and amortised using the straight-line method over its useful life of up to five years. An intangible asset is recognised when it is identifiable, provides future economic benefits or service potential which can be reliably measured and access to which is wholly under the Fund's control. Internal operational and research costs are expensed. Costs associated with the maintenance of computer software programs are recognised as expenses when incurred.

1.15 Provisions and contingent liabilities

1.15.1 Provisions are made for future liabilities and charges where the 1992 Fund has a present legal or constructive obligation as a result of past events, and it is probable that the 1992 Fund will be required to settle the obligation.

1.15.2 Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the Notes to the Financial Statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the 1992 Fund.

Compensation provision

1.15.3 Provision is made for all claims approved by the relevant P&I Club and the 1992 Fund but not paid at the amount approved by the 1992 Fund, which reflects management's best estimate at that time or where a final judgment has taken place. Provision is also made for any significant claims approved between the year-end and the date on which the Financial Statements are approved in respect of claims existing at the year-end. Where approved claims have been pro-rated because there is uncertainty as to whether funds will be sufficient to allow further payments, no provision is made for

such claims over and above the level of pro-rating, but the maximum of such amounts is disclosed separately in the Financial Statements as a contingent liability.

Provision for employee benefits

1.15.4 The following employee benefits are provided for:

- short-term employee benefits which fall due wholly within 12 months after the end of the accounting period in which employees render the related service; and
- long-term employee benefits not expected to be settled within 12 months.

1.15.5 Benefits in particular are:

- provision for annual leave accrued: provision classified as short-term provision is made annually on the basis of unused annual leave with changes in the provision from the start of the year being charged as an expense or released in the current financial period; and
- provision for separation costs: under the Staff Regulations and Rules, some staff members are entitled to certain benefits upon separation from service consisting of a repatriation grant lump sum, travel of the staff member and eligible dependants and shipment of their personal effects. Separation costs are provided for at the management's best estimate.

Contingent liabilities

1.15.6 Estimates of contingent liabilities include all known or likely compensation claims against the 1992 Fund. All these claims may not necessarily mature or be approved. In the case of fees (claims-related costs), these are calculated for the coming year only, due to the difficulties in predicting the length and cost of legal proceedings or of negotiations for reaching out-of-court settlements. Those liabilities which mature will, under the 1992 Fund Convention, be met from contributions levied by the Assembly.

1.16 Contributors' account

Net overpayments by contributors and reimbursement of contributions in accordance with the Assembly's decision are held in the contributors' account. In accordance with Internal Regulation 3.9, any credit balance on a contributors' account bears interest. The interest is added to the credit balance every year when levies are due, or reimbursements are made, normally on 1 March.

1.17 Staff Provident Fund

In accordance with Staff Rule VIII.5, the Staff Provident Fund represents the balance on the accounts of staff members made up of contributions to the Provident Fund by staff members and the 1992 Fund, withdrawals and repayments of housing loans and interest earned on the investment of the assets of the Provident Fund.

1.18 Budgetary information

1.18.1 The Assembly approves the budget which includes budgeted amounts for Secretariat administration costs and fixed assets. Budgets may be subsequently amended by the Assembly by authorising transfers within chapters of the budget, in excess of the limits of delegated authority provided under the Financial Regulations or by approving supplementary budgets.

1.18.2 The Statement of Comparison of Budget and Actual Amounts (Statement V) compares the final budget to actual amounts calculated on the same basis (modified cash basis) as the corresponding budgetary amounts. As the bases used to prepare the budget and Financial Statements differ, reconciliation

between the amounts presented in Statement V and Statement II (Statement of Financial Performance) is provided in Note 23.

Note 2 — Cash and cash equivalents

- 2.1 Cash and cash equivalents included in the Statement of Cash Flow (Statement IV) and the Statement of Financial Position (Statement I) comprise the following amounts:

	2021 £	2020 £
Cash on hand & balances with banks	29 726 105	26 274 113
Term deposits	23 138 626	30 488 079
Total	52 864 731	56 762 192

- 2.2 Cash is invested in term deposits of up to one year but can be made available at short notice without significant effect on the interest on the deposit. No investments are made in bonds or shares.
- 2.3 Cash and term deposits held in pounds sterling totalled £25 076 945 on 31 December 2021, of which £20 724 471 was held for the 1992 Fund. In addition, the Provident Fund held £4 209 742, and the Contributors' account held £142 732.
- 2.4 Other currencies held (£27 787 786) were as follows:

Currency	Incident	Amount in other currency	Translated as at 31/12/2021 £
Euros	General Fund	2 411 994	2 025 184
	<i>Prestige</i> MCF	817 516	686 411
	<i>Agia Zoni II</i> MCF	22 640 500	19 009 656
US dollars	General Fund	8 216 428	6 066 470
Russian roubles	General Fund	6 609	65
		Total	27 787 786

Note 3 — Contributions receivable

3.1 The situation with regard to outstanding contributions from previous levies is set out below.

	General Fund £	Hebei Spirit MCF £	Alfa I MCF £	Agia Zoni II MCF £	Nesa R3 MCF £	Total contributions receivable 2021 £	Total contributions receivable 2020 £
Angola	1 946	-	-	-	-	1 946	1 946
Argentina	15 733	-	946	18 524	8 700	43 903	28 168
Cameroon	-	-	-	-	-	-	11 783
Curaçao (Kingdom of the Netherlands)	5 290	-	-	49 588	47 235	102 113	102 113
Denmark	1 694	-	3 062	-	1 484	6 240	6 240
Djibouti	2 010	-	-	4 439	-	6 449	6 449
France	10 233	-	-	-	-	10 233	10 233
Germany	-	-	-	-	-	-	1 695
Ghana	13 056	52 110	6 686	26 270	1 154	99 276	99 276
Guinea	647	-	-	-	-	647	647
Iran	76 610	-	-	4 257	-	80 867	4 257
Jamaica	87	-	-	-	-	87	87
Malaysia	-	-	-	7 351	8 993	16 344	16 344
Mexico	79	-	-	-	-	79	-
Morocco	12 903	-	26 949	-	12 337	52 189	52 189
Panama	-	-	-	1 600	1 528	3 128	5 463
Philippines	19	-	-	-	-	19	19
Russian Federation	14 676	-	39 976	-	3 543	58 195	58 195
Singapore	-	-	2 024	-	2 307	4 331	21 699
Sweden	-	-	-	1 863	-	1 863	8 996
United Kingdom	36 129	-	38 322	-	6 154	80 605	80 605
Venezuela	313 752	-	80 008	235 164	29 435	658 359	658 359
Sub-total	504 864	52 110	197 973	349 056	122 870	1 226 873	1 174 763
Provision	(75 636)	-	(108 309)	-	(23 518)	(207 463)	(207 463)
Total	429 228	52 110	89 664	349 056	99 352	1 019 410	967 300

3.2 Contributions receivable is net of the provision for contributions due from some contributors, as set out in Note 5.

3.3 In 2019, Venezuela submitted oil reports for the years 2007 to 2017 resulting in late invoices for contributions levied to the General Fund and Major Claims Funds. The amount of £658 359 is due from one contributor.

Note 4 — Other receivables

4.1 Other receivables are set out in the table below.

	2021 £	2020 £
Tax recoverable	212 775	215 305
Accrued interest on investments	4 326	2 892
Accrued interest on overdue contributions	138 035	117 397
Prepayments	124 874	89 006
Advances to staff	7 712	8 803
Accrued income	4 075	2 395
Receivable from UK Government authority	-	206 400
Total	491 797	642 198

- 4.2 Taxes recoverable are value-added tax (VAT) and airport tax recoverable from the United Kingdom Government, and VAT recoverable from the Spanish Government under Article 34 of the 1992 Fund Convention.
- 4.3 Accrued interest on overdue contributions as at 31 December 2021 was £173 497, and a provision of £35 462 has been made for interest on contributions due from some contributors, as set out in Note 5. The net of these amounts (£138 035) is included in 'Other receivables'.
- 4.4 Prepayments are payments in advance of goods and service delivery.
- 4.5 Advances to staff are for travel season tickets and subscriptions to the health insurance scheme.
- 4.6 Accrued income relates to amounts to be reimbursed by P&I Clubs for joint costs, which in 2021 relates to the *Hebei Spirit* incident.

Note 5 — Provision for contributions and interest on overdue contributions

5.1 As set out in Note 3, contributions receivable is net of the provision for contributions. The total provision of £242 925 is made up of £207 463 in contributions and £35 462 in interest on overdue contributions. A total amount of £70 144 is due from two contributors in the Russian Federation, and a total of £172 781 is due from four other contributors in liquidation proceedings.

5.1.1 A summary of the movements in the two provisions is shown in the table below.

Provision	Contributions outstanding £	Interest on contributions outstanding £	Total £
Opening balance, 01-Jan-2021	207 463	33 027	240 490
Amounts added to provision for contributions and interest, less amounts received (Statement II)	-	2 435	2 435
Closing balance, 31-Dec-2021	207 463	35 462	242 925

5.1.2 Movements on the provision for contributions and the provision for interest on contributions, shown by contributor, are shown in the table below.

Contributor	Contributors from the Russian Federation £	Petroplus £	O W Bunker (Denmark) £	SAMIR (Morocco) £	TOTAL £
Contributions					
Opening balance, 01-Jan-2021	58 195	90 840	6 240	52 188	207 463
Contributions received, 2021	-	-	-	-	-
Contributions provided for, 2021	-	-	-	-	-
Total provision for contributions, 31-Dec-2021	58 195	90 840	6 240	52 188	207 463
Interest on contributions					
Opening balance, 01-Jan-2021	10 665	-	-	22 362	33 027
Interest provided for, 2021	1 284	-	-	1 151	2 435
Total provision for interest on contributions, 31-Dec-2021	11 949	-	-	23 513	35 462
Total provision for contributions and interest, 31-Dec-2021	70 144	90 840	6 240	75 701	242 925

Contributors from the Russian Federation

5.2 The provision includes contributions and interest on overdue contributions due from two contributors in the Russian Federation. Based on the decision of the Assembly at its October 2016 session, the Secretariat has continued discussions with the authority in the Russian Federation to recover the contributions and no legal action has been taken in these cases.

Contributors in liquidation/bankruptcy

- 5.3 The 1992 Fund Assembly, at its October 2014 session, decided that after the receipt of final settlement from liquidators any balances due from two contributors in the United Kingdom and France (headquartered in Switzerland) should be written off (document IOPC/OCT14/11/1, paragraph 5.2.17).
- 5.4 The Secretariat has continued discussions with the authorities in Morocco to recover the outstanding contributions due from SAMIR.

Note 6 — Due from HNS Fund

- 6.1 At its first session, the 1992 Fund Assembly instructed the Director to carry out the tasks necessary for the setting up of the HNS Fund, as requested by the HNS International Conference (document 92FUND/A.1/34, paragraph 33.1.1–33.1.3), on the basis that all expenses would be repaid by the HNS Fund when established. As a result of this decision, any expenses relating to the preparation for the entry into force have been treated as loans from the 1992 Fund.
- 6.2 The HNS Fund will be established when the HNS Convention comes into force. The HNS Convention will come into force 18 months following the ratification by 12 States, fulfilling the conditions as laid down in the HNS Protocol. Eight States (Canada, Denmark, France, Germany, Greece, the Netherlands, Norway, and Turkey) have signed the 2010 HNS Protocol, subject to ratification. As at 31 December 2021, five States (Canada, Denmark, Norway, South Africa and Turkey) have deposited their instruments of ratification or accession to the 2010 HNS Protocol.
- 6.3 An amount of £470 436 (2020: £447 578), including interest to date of £48 262, is due from the HNS Fund. The Director considers that progress towards the establishment of the Convention supports expectation of recovery of this balance.

Note 7 — Property, plant and equipment

- 7.1 The following table shows a breakdown of fixed assets by type, with a reconciliation of additions and depreciation during the year.

	Computer equipment £	Office fixtures and fittings £	Telephone equipment £	Total £
Cost				
Opening balance, 01-Jan-2021	215 894	36 671	25 459	278 024
Additions	7 957	-	1 421	9 378
Disposals	(825)	-	-	(825)
Closing balance, 31-Dec-2021	223 026	36 671	26 880	286 577
Depreciation				
Accumulated depreciation, 01-Jan-2021	157 644	31 843	25 459	214 946
Depreciation on disposals	(825)	-	-	(825)
Depreciation charge for the year	22 994	4 016	148	27 158
Closing balance, 31-Dec-2021	179 813	35 859	25 607	241 279
Net book value				
Opening balance, 01-Jan-2021	58 250	4 828	-	63 078
Closing balance, 31-Dec-2021	43 213	812	1 273	45 298

Note 8 — Intangible assets

- 8.1 The following table shows the amortisation of purchased software for the year. The software has now been fully amortised.

	Purchased software £
Cost	
Opening balance, 01-Jan-2021	28 557
Additions	-
Disposals	-
Closing balance, 31-Dec-2021	28 557
Amortisation	
Accumulated amortisation charge, 01-Jan-2021	28 557
Amortisation charge on disposals	-
Amortisation charge for the year	-
Closing balance, 31-Dec-2021	28 557
Net book value	
Opening balance, 01-Jan-2021	-
Closing balance, 31-Dec-2021	-

Note 9 — Payables and accruals

9.1 The following table shows details of payables and accruals as at 31 December 2021:

	2021 £	2020 £
Payables for administrative expenses, lawyers, and experts	117 061	126 079
Accruals for administrative expenses, lawyers, and experts	153 682	113 302
Total	270 743	239 381

Note 10 — Provision for compensation

10.1 Provision is made for all compensation claims as follows:

10.1.1 The following table shows movement in provision in the currency of the country where the incident took place:

	<i>Prestige</i> MCF EUR	<i>Agia Zoni II</i> MCF EUR
Opening balance, 01-Jan-2021	805 275	675 142
Less: brought forward provision paid in 2021	-	(265 245)
Less: brought forward provision reversed in 2021	-	(18 744)
New provision made in 2021	-	1 590 000
Closing balance, 31-Dec-2021	805 275	1 981 153

10.1.2 The following table shows movement in provision in pounds sterling:

	<i>Prestige</i> MCF £	<i>Agia Zoni II</i> MCF £	TOTAL £
Opening balance, 01-Jan-2021	720 797	604 316	1 325 113
Less: brought forward provision paid in 2021	-	(237 420)	(237 420)
Less: brought forward provision reversed in 2021	-	(17 580)	(17 580)
Currency (gain)/loss on brought forward provision unutilised in the year	(44 664)	(20 893)	(65 557)
New provision made in 2021	-	1 335 013	1 335 013
Closing balance, 31-Dec-2021	676 133	1 663 436	2 339 569

10.2 In 2021, new provision has been made for one claim related to the *Agia Zoni II* MCF. Payment will be made upon acceptance of the compensation offer by the claimant.

10.3 In relation to the *Prestige* MCF, a provision for compensation of EUR 805 275 is held until claims in the courts are finalised or become time-barred in order that equal treatment is maintained to claimants in France and Portugal.

Note 11 — Provision for employee benefits

11.1 The following table shows movements to the short- and long-term provisions:

	Short term £	Long term £	Total £
Opening balance, 01-Jan-2021	273 878	375 359	649 237
Less: brought forward provision paid in 2021	(42 501)	-	(42 501)
Repatriation for separated employees moved from long term to short term provision	81 354	(81 354)	-
New provision made in 2021	6 488	73 678	80 166
Closing balance, 31-Dec-2021	319 219	367 683	686 902

11.2 Adjustment was made to the short-term provision to reflect an increase in accrued annual leave carried forward from 2021. Amounts have been added to the long-term provision in respect of repatriation costs for two international staff members.

Note 12 — Prepaid contributions

12.1 The amount of £549 627 (2020: £0) represents the levy of contributions decided by the 1992 Fund Assembly in October 2021 and due on 1 March 2022 but received in 2021.

Note 13 — Contributors' account

13.1 The amount of £142 732 (2020: £142 589) is the balance on the contributors' account after the deduction of amounts repaid to contributors or when offset against contributions. The amount includes interest of £142 (2020: £464) credited in 2021 to contributors.

Note 14 — Staff Provident Fund

14.1 Table showing movements within the staff Provident Funds in 2021:

	2021 £	2020 £
Provident Fund (managed by the 1992 Fund – PF1)		
Accounts of staff members, 1 January	4 513 014	5 959 524
RECEIPTS		
Contributions of staff members	207 506	216 348
Voluntary contributions of staff members	246 580	273 178
Contributions of 1992 Fund	433 014	450 697
Transfer from Provident Fund (externally managed – PF2)	1 384 297	-
Interest received	100 809	50 330
Repayment of loans	30 000	50 000
Total receipts	2 402 206	1 040 553
PAYMENTS		
Transfer to Provident Fund (externally managed – PF2)	350 000	975 306
Withdrawal on separation	2 254 853	1 043 057
Housing loans	100 625	468 700
Total payments	2 705 478	2 487 063
Accounts of staff members, 31 December (PF1)	4 209 742	4 513 014
Provident Fund (externally managed – PF2)		
Transfer from Provident Fund (PF1)	(1 034 297)	975 306
Valuation as at 31 December (PF2)	1 494 419	2 347 118
Staff Provident Fund (PF1 & PF2) (Statement 1)	5 704 161	6 860 132

- 14.2 The rate of contribution to the Provident Fund for staff members is 7.9% of their respective pensionable remuneration and for the 1992 Fund is 15.8% of that remuneration (Staff Rule VIII.5(b)). At its October 2009 session, the 1992 Fund Administrative Council decided that staff members could make additional voluntary contributions of up to 5% of pensionable remuneration to the Provident Fund. At its April 2017 session, the 1992 Fund Administrative Council decided to increase the maximum voluntary contribution amount to 23.7% of the staff member's pensionable remuneration.
- 14.3 The Provident Fund is made up of two elements. Provident Fund (PF1) is invested with the 1992 Fund assets. Provident Fund (PF2) is managed by an independent financial broker in the name of the 1992 Fund. The fair value of the assets held in PF2 are categorised as level 1 within the fair value hierarchy as investments are considered to be valued using quoted prices (unadjusted) in active markets at any given measurement date.
- 14.4 All contributions are credited to PF1. Staff may invest in PF2 only from their cash balance available in PF1. There is no possibility of investing private funds in PF2. Amounts withdrawn from PF2 are credited to PF1.
- 14.5 The amount in PF1 is invested together with the 1992 Fund's assets. Interest is calculated and fixed monthly by the Director based on the rate of return of investments held during that month.

- 14.6 Participation in PF2 is entirely voluntary and new staff members can only participate in PF2 after completing one year of service in the Secretariat. All fees paid by those participating in PF2 are based on the proportion of their investment in PF2. As set out above, PF2 is managed by an independent financial broker, with £350 000 of new funds invested with the broker in 2021 and £1 384 297 withdrawn. As at 31 December 2021, the amount managed by the broker was valued at £1 494 419.
- 14.7 Housing loans from the Provident Fund represent loans taken by staff members in accordance with Staff Rule VIII.5(j). The loan shall be repaid in a manner to be agreed between the staff member and the Director. In any event, the loan shall be repaid on the staff member's separation from the 1992 Fund by means of deduction from the monies payable.
- 14.8 The staff member's share in the Provident Fund is payable upon separation of the staff member from the 1992 Fund in accordance with the Fund's Staff Rule VIII.5(e).

Note 15 — General Fund and MCFs balances

- 15.1 The 1992 Fund holds fund balances classified into General Fund and MCFs. The General Fund currently includes a working capital of £15 million, as decided by the 1992 Fund Assembly at its October 2019 session (document IOPC/OCT19/11/1, paragraph 9.1.14). The working capital is established to ensure that the 1992 Fund is in a position to meet compensation and claims-related expenses, which may occur between the regular sessions of the governing bodies. See Note 25 for segment reporting by General Fund and MCFs.

Note 16 — Financial instruments

- 16.1 Details of the significant accounting policies adopted, including the basis of measurement and the basis on which income and expenses are recognised in respect of the financial instruments are set out in Note 1.
- 16.2 All financial instruments held during 2021 are classified as loans and receivables and are non-derivative financial assets with fixed payments and a fixed maturity for which the organisation has the intention and the ability to hold to maturity.
- 16.3 Credit risk
- 16.3.1 The 1992 Fund's credit risk is spread widely, and its risk management policies limit the amount of credit exposure to any counterparty and include minimum credit quality guidelines.
- 16.3.2 The guidelines include market and capital strength measures in addition to the credit rating provided by the three rating agencies. Credit default swaps (CDS) and CET 1 capital ratio are the additional measures used to determine the counterparty list. The guidelines are as follows:
- (a) CET 1 capital ratio of at least 9.5% or higher;
 - (b) five-year credit default swap (CDS) spread of a maximum of 100 basis points, a breach of which would trigger a review to ascertain whether the credit markets were weaker in general, or whether the creditworthiness of the counterparty concerned was subject to a particular credit-negative event that would warrant its temporary or permanent exclusion from the lending list; and
 - (c) minimum short-term credit rating from two of the three main credit rating agencies, Fitch, Moody's and Standard & Poor's as follows:

- for maturities of up to 12 months (Group 1) of F1+, P1 and A1+; and
- for maturities of up to 6 months (Group 2) of F1, P1 and A1.

16.3.3 A list of approved financial institutions is prepared by the joint Investment Advisory Body (IAB) on a quarterly basis and approved by the Director. This list is kept under constant review by the IAB between meetings and the Secretariat is advised accordingly.

16.3.4 Contributions receivable are comprised primarily of amounts due from contributors in Member States. The 1992 Fund Convention places an obligation on Member States to ensure that contributors fulfil their obligation to pay contributions. Details of contributions receivable are provided in Note 3.

16.4 Liquidity risk

16.4.1 The 1992 Fund Convention provides the Assembly with authority to levy contributions that may be required to balance the payments to be made by the 1992 Fund.

16.4.2 Liquidity risk associated with cash and cash equivalents is minimised substantially by ensuring that these financial assets are placed in term deposits not exceeding one year. It is ensured that in compliance with the investment guidelines on liquidity, the working capital set by the Assembly in October 2019 of £15 million is available within three months to support operational requirements.

16.5 Interest rate risk

16.5.1 The 1992 Fund places its cash investments in term deposits with fixed interest rates under strict investment guidelines. The Financial Regulations of the 1992 Fund focus on the security and liquidity of the assets rather than maximising revenue, and this is taken into account in managing the liquidity (cash flow) risk.

16.5.2 The table below shows the average interest rate earned on investments in the different currencies and the effect in pounds sterling of a change of 0.25% in interest rate earned. During 2021, the amount of cash held in pounds sterling decreased.

Investment	Average interest rate earned 2021 %	Effect of increase/decrease by 0.25% £
Pounds sterling	0.19%	78 403
US dollar	0.14%	15 231

16.5.3 Cash deposits in euros currently yield a negative interest rate so euros are usually held in current accounts, some of which do not charge interest.

16.6 Foreign currency risk

16.6.1 Hedging guidelines were developed in 2008 with advice from the IAB. For an incident in respect of which compensation will be paid in a currency other than pounds sterling, in principle the aim is to hedge up to 50% of the liability of an incident but not more than the sum of the levies approved less the Fund's anticipated expenses within a six-month period after a levy has been approved.

16.6.2 The rationale behind the hedging policy is that hedging 50% of the foreign exchange liability constitutes a neutral position whichever way the exchange rate was to move.

16.6.3 As at 31 December 2021, cash and cash equivalents were held in pounds sterling (47%), euros (41%) and US dollars (12%) (see Note 2).

16.6.4 As at 31 December 2021, the foreign exchange liability in euros in respect of the *Prestige* incident was hedged at 100% (2020: 100%).

16.6.5 As at 31 December 2021, the foreign exchange liability in euros in respect of the *Agia Zoni II* incident was hedged at 57% (2020: 49%).

Note 17 — Contributions

17.1 At its session in December 2020, the 1992 Fund Assembly decided not to levy contributions due for payment on 1 March 2021.

17.2 Contributions invoiced for payment in 2021 are summarised below:

	2020 levy payable by 1 March 2021 £	Previous years' levies £	Total £
General Fund	-	125 038	125 038
<i>Hebei Spirit</i> Major Claims Fund	-	(17 074)	(17 074)
<i>Alfa I</i> Major Claims Fund	-	(3 050)	(3 050)
<i>Agia Zoni II</i> Major Claims Fund	-	(6 248)	(6 248)
<i>Nesa R3</i> Major Claims Fund	-	(1 264)	(1 264)
Total	-	97 402	97 402

17.3 Contributions invoiced in 2021 include levies and reimbursements based on contributing oil reports received late amounting to a net levy of £97 402. This is in accordance with accounting policy paragraph 1.6.1 in Note 1 on contributions relating to late submission of oil reports, where the amount is recognised as income on the date of the invoice.

Note 18 — Contributions-in-kind

18.1 The United Kingdom Government meets 80% of the costs related to the rental of the Secretariat offices and storage space. The total rental payments made in 2021 amounted to £258 000 (2020: £258 000) with the United Kingdom Government's share being £206 400 (2020: £206 400) (see Notes 22 and 27).

Note 19 — Other revenue

19.1 Table showing the breakdown of other revenue earned by the 1992 Fund in 2021.

	2021 £	2020 £
Management fee payable by the Supplementary Fund	36 000	38 000
Interest on overdue contributions	24 023	59 024
Interest on loans to HNS Fund	1 449	2 047
Interest on loans between segments	-	3 926
SHI Limitation Fund	2 220 457	-
Sundry income	179	330
Total	2 282 108	103 327

19.2 The management fee was set in the budget at £36 000 (2020: £38 000) for the Supplementary Fund for the period 1 January to 31 December 2021 (document IOPC/OCT20/11/2, paragraph 9.1.21).

19.3 Some £2.2 million were received in relation to the recourse action against Samsung Heavy Industries Co. Ltd (SHI) in respect of the *Hebei Spirit* incident. The 1992 Fund's Executive Committee at its November 2021 meeting noted that the Limitation Court paid the amount of KRW 3 271 486 069 (some £2.2 million) to the 1992 Fund and further noted that the 1992 Funds' share from the SHI limitation fund had now been recovered.

Note 20 — Compensation claims

20.1 Compensation is recognised on a cash basis in Section One, page 12, and can be reconciled to compensation paid in the Statement of Financial Performance (Statement II) as follows:

	<i>Agia Zoni II</i> MCF £
Compensation paid on cash basis in 2021 (Section One, page 12)	235 898
Less: brought forward provision paid in 2021 (note 10)	(237 420)
Less: brought forward provision reversed in 2021 (note 10)	(17 580)
Exchange gain on brought forward provision paid in 2021 (note 24)	1 522
New provision made in 2021 (note 10)	1 335 013
Compensation recognised on accrual basis (Statement II)	1 317 433

20.2 Foreign currency is held for the purpose of making payments of compensation and any exchange loss on the payment is compensated by an exchange gain on the revaluation of the foreign currency (see Note 24).

Note 21 — Claims-related expenses (CRE)

- 21.1 Under the Memorandum of Understanding (MoU) between the International Group of P&I Clubs (shipowner's insurers) and the 1992 Fund, joint claims-related expenses (CRE) are apportioned between the P&I Clubs and the 1992 Fund based on their respective compensation liability.

	CRE paid in 2021 £	Joint costs received/receivable from P&I Club in 2021 £	CRE 2021 (statement II) £	CRE 2020 (statement II) £
General Fund	278 362	-	278 362	126 495
<i>Prestige</i> MCF	53 263	-	53 263	66 208
<i>Hebei Spirit</i> MCF	308 105	4 074	312 179	42 930
<i>Alfa I</i> MCF	115 767	-	115 767	77 869
<i>Agia Zoni II</i> MCF	328 559	-	328 559	823 658
<i>Nesa R3</i> MCF	12 299	-	12 299	27 385
TOTAL	1 096 355	4 074	1 100 429	1 164 545

- 21.2 In 2021, an amount of £4 074 (2020: £4 587) was invoiced under the MoU to Assuranceföreningen Skuld (Gjensidig) (Skuld Club) in respect of the *Hebei Spirit* incident.

Note 22 — Staff, other personnel and administrative costs

- 22.1 Expenses were made under seven chapters as set out in the table below:

Chapter	Expenses 2021 (Statement II) £	Expenses 2020 (Statement II) £
I Personnel	2 985 152	3 054 002
II General services	848 691	744 420
III Meetings	114 306	86 658
IV Travel	-	1 947
V Other expenditure	182 180	292 311
VI Unforeseen expenditure	-	-
VII External audit fees	53 600	53 600
Total	4 183 929	4 232 938

- 22.2 Chapter II, General services, includes £206 400, equivalent to 80% of the rent due on the Secretariat's office premises which is the amount reimbursed by the Government of the United Kingdom (see Note 18). Chapter II also includes depreciation charges of £27 158 (see Note 7).

Note 23 — Statement of Comparison of Budget and Actual Amounts

- 23.1 The 1992 Fund's budget and Financial Statements are prepared using different bases. The Statement of Financial Position (Statement I); Statement of Financial Performance (Statement II); Statement of Changes in Net Assets (Statement III); and Statement of Cash Flow (Statement IV) are prepared on a full accruals basis using a classification based on the nature of expenses in the Statement of Financial Performance (Statement II), whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared on a commitment accounting basis.
- 23.2 Differences between budgeted and actual amounts are explained in the Director's Comments (page 7).
- 23.3 As required under IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the Financial Statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the Financial Statements, identifying separately any basis, presentation, entity, and timing differences.
- 23.4 Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For the 1992 Fund, the budget is prepared on the commitment basis and the Financial Statements are prepared on the accruals basis.
- 23.5 Presentation differences are due to differences in the format and classification schemes adopted for presentation of the Statement of Financial Performance (Statement II) and the Statement of Comparison of Budget and Actual Amounts (Statement V).
- 23.6 Entity differences occur when the budget omits programmes or entities that are part of the entity for which the Financial Statements are prepared. The budget relates only to the joint Secretariat's administrative expenses.
- 23.7 Timing differences occur when the budget period differs from the reporting period reflected in the Financial Statements. There are no timing differences for the 1992 Fund for purposes of comparison of budget and actual amounts.
- 23.8 Reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Financial Performance (Statement II) for the year ended 31 December 2021 is presented below:

	£
Statement V	4 014 883
Contributions-in-kind (Note 18)	206 400
Purchase of fixed assets (Notes 7 and 8)	(9 378)
Depreciation and amortisation (Notes 7 and 8)	27 158
Adjustment to provision for employee benefits (Note 11)	37 665
Provision for separated employees (included in Statement 5, Chapter 1)	(81 354)
Compensation claims (Note 20)	1 317 433
Claims-related expenses (Note 21)	1 100 429
Currency exchange differences (Note 24)	1 370 862
Provision for 2021 contributions and interest less amounts received (Note 5)	2 435
Inter-fund loan interest (note 25)	(11 444)
Statement II	7 975 088

Note 24 — Currency exchange differences

- 24.1 As at 31 December 2021, there was a notional exchange loss of £1 370 862 (2020 gain: £836 714) made up as follows:

Reason for difference	General Fund £	Prestige MCF £	Hebei Spirit MCF £	Alfa I MCF £	Agia Zoni II MCF £	Nesa R3 MCF £	(Gain)/Loss 2021 £	(Gain)/Loss 2020 £
Currency revaluation	271 938	44 935	2	-	1 120 535	-	1 437 410	(973 076)
Revaluation of taxes	522	28	-	-	-	-	550	(994)
Exchange (gain)/loss on 2020 provision paid in 2021 (Note 20)	-	-	-	-	(1 522)	-	(1 522)	96 038
Increase/(decrease) in cost of unutilised 2020 provision due to currency revaluation (Note 10)	-	(44 664)	-	-	(20 893)	-	(65 557)	41 318
Revaluation of vendor payables	4	(238)	195	-	-	20	(19)	-
Total	272 464	61	197	-	1 098 120	20	1 370 862	(836 714)

- 24.2 Movement of exchange rates from the beginning to the end of the reporting period:

	31-Dec-21	31-Dec-20
EUR:GBP	1.191	1.1172
KRW:GBP	1610.0962	1484.9091
RUB:GBP	101.5918	101.105
USD:GBP	1.3544	1.3669

- 24.3 The euro weakened against the pound sterling during 2021, resulting in an exchange loss of £1 492 370 on the revaluation of currency (see paragraph 2.4). Of the total loss, £1 120 535 was in respect of some EUR 22.6 million held by the *Agia Zoni II* MCF at year-end.
- 24.4 The General Fund held euros and US dollars at year-end, resulting in a loss of £326 900 as a result of the revaluation of some EUR 2.4 million, and a gain of £54 962 as a result of the revaluation of some USD 8.2 million.

Note 25 — Segment reporting

- 25.1 Segment reporting has been made on the basis that the 1992 Fund classifies its activities into the General Fund and MCFs.
- 25.2 The General Fund covers the 1992 Fund's expenses for the administration of the Secretariat and for compensation payments and claims-related expenditure for minor incidents, up to a maximum amount of the pound sterling equivalent of SDR 4 million per incident and includes the working capital.
- 25.3 The Assembly approved the Director's proposal to meet an estimated deficit in the General Fund for 2021 by taking out a loan of £3.9 million from the *Hebei Spirit* Major Claims Fund on 1 March 2021

until 1 March 2022 when 2021 contributions shall be due (document IOPC/NOV20/11/2, paragraph 9.1.17).

- 25.4 This loan between segments is disclosed as a *Hebei Spirit* MCF asset and a General Fund liability in this note and netted off in the entity level Statement 1. Related interest income for *Hebei Spirit* MCF and interest expense for the General Fund are included in Table 25.8 under Other Revenue and Other Administrative Costs, respectively, and netted off in Statement 2. Table 25.9 provides a reconciliation between the segmented statements in Tables 25.7 and 25.8 and Statements 1 and 2.
- 25.5 There were five MCFs at the beginning of 2021, and a subsequent one was opened during the year, established for an ongoing incident. Levies of contributions are made for an MCF from which amounts are expensed for that incident (compensation and claims-related expenses):
- *Prestige* MCF was set up in 2003 for the incident in Spain (2002);
 - *Hebei Spirit* MCF was set up in 2008 for the incident in the Republic of Korea (2007);
 - *Alfa I* MCF was set up in 2015 for the incident in Greece (2012);
 - *Agia Zoni II* MCF was set up in 2018 for the incident in Greece (2017);
 - *Nesa R3* MCF was set up in 2018 for the incident in Oman (2013); and
 - *Incident in Israel* MCF was set up in 2021 for the incident in Israel (2021).
- 25.6 Contributions were levied for the Incident in Israel MCF for payment by 1 March 2022. Some contributions were received in the year 2021 and treated as prepaid contributions, with the Fund Balance for this MCF remaining nil.

25.7 Statement of Financial Position by segment:

	General Fund	Prestige MCF	Hebei Spirit MCF	Alfa I MCF	Agia Zoni II MCF	Nesa R3 MCF	Incident in Israel MCF	1992 Fund 31-Dec-21	1992 Fund 31-Dec-20
	£	£	£	£	£	£	£	£	£
ASSETS									
Current assets									
Cash and cash equivalents	19 984 248	1 192 095	3 686 225	166 545	27 439 470	259 919	136 229	52 864 731	56 762 192
Contributions receivable	429 228	-	52 110	89 664	349 056	99 352	-	1 019 410	967 300
Other receivables	377 359	831	19 031	10 240	76 198	8 138	-	491 797	642 198
Staff Provident Fund (externally managed)	1 494 419	-	-	-	-	-	-	1 494 419	2 347 118
Loan from <i>Hebei Spirit</i> MCF to General Fund	-	-	3 900 000	-	-	-	-	3 900 000	-
Total current assets	22 285 254	1 192 926	7 657 366	266 449	27 864 724	367 409	136 229	59 770 357	60 718 808
Non-current assets									
Due from HNS Fund	470 436	-	-	-	-	-	-	470 436	447 578
Property, plant and equipment	45 298	-	-	-	-	-	-	45 298	63 078
Total non-current assets	515 734	-	-	-	-	-	-	515 734	510 656
TOTAL ASSETS	22 800 988	1 192 926	7 657 366	266 449	27 864 724	367 409	136 229	60 286 091	61 229 464
LIABILITIES									
Current liabilities									
Payables and accruals	198 048	35 059	2 247	1 943	28 672	4 774	-	270 743	239 381
Provision for compensation	-	676 133	-	-	1 663 436	-	-	2 339 569	1 325 113
Provision for employee benefits (short term)	319 219	-	-	-	-	-	-	319 219	273 878
Prepaid contributions	413 398	-	-	-	-	-	136 229	549 627	-
Contributors' account	142 732	-	-	-	-	-	-	142 732	142 589
Loan from <i>Hebei Spirit</i> MCF to General Fund	3 900 000	-	-	-	-	-	-	3 900 000	-
Total current liabilities	4 973 397	711 192	2 247	1 943	1 692 108	4 774	136 229	7 521 890	1 980 961
Non-current liabilities									
Staff Provident Fund	5 704 161	-	-	-	-	-	-	5 704 161	6 860 132
Provision for employee benefits (long term)	367 683	-	-	-	-	-	-	367 683	375 359
Total non-current liabilities	6 071 844	-	-	-	-	-	-	6 071 844	7 235 491
TOTAL LIABILITIES	11 045 241	711 192	2 247	1 943	1 692 108	4 774	136 229	13 593 734	9 216 452
NET ASSETS	11 755 747	481 734	7 655 119	264 506	26 172 616	362 635	-	46 692 357	52 013 012
FUNDS' BALANCES									
Balance b/f: 1 January 2020	16 083 278	534 111	5 747 560	380 614	28 893 709	373 740	-	52 013 012	46 318 090
(Deficit)/Surplus for the year to date	(4 327 531)	(52 377)	1 907 559	(116 108)	(2 721 093)	(11 105)	-	(5 320 655)	5 694 922
GENERAL FUND AND MAJOR CLAIMS FUNDS BALANCES	11 755 747	481 734	7 655 119	264 506	26 172 616	362 635	-	46 692 357	52 013 012

25.8 Statement of Financial Performance by segment:

	General Fund	Prestige MCF	Hebei Spirit MCF	Alfa I MCF	Agia Zoni II MCF	Nesa R3 MCF	Incident in Israel MCF	1992 Fund 2021	1992 Fund 2020
	£	£	£	£	£	£	£	£	£
REVENUE									
Contributions	125 038	-	(17 074)	(3 050)	(6 248)	(1 264)	-	97 402	10 826 082
Contributions-in-kind	206 400	-	-	-	-	-	-	206 400	206 400
Interest on investments	41 236	947	3 960	412	21 464	504	-	68 523	205 546
Other revenue	46 602	-	2 233 049	3 489	7 803	2 609	-	2 293 552	103 327
Total revenue	419 276	947	2 219 935	851	23 019	1 849	-	2 665 877	11 341 355
EXPENSES									
Compensation claims	-	-	-	-	1 317 433	-	-	1 317 433	1 059 175
Claims-related expenses	278 362	53 263	312 179	115 767	328 559	12 299	-	1 100 429	1 164 545
Personnel costs	2 985 152	-	-	-	-	-	-	2 985 152	3 054 002
Other administrative costs	1 210 221	-	-	-	-	-	-	1 210 221	1 178 936
Currency exchange differences	272 464	61	197	-	1 098 120	20	-	1 370 862	(836 714)
Amounts added to provision for contributions and interest, less amounts received	608	-	-	1 192	-	635	-	2 435	26 489
Total expenses	4 746 807	53 324	312 376	116 959	2 744 112	12 954	-	7 986 532	5 646 433
(DEFICIT)/SURPLUS FOR THE YEAR	(4 327 531)	(52 377)	1 907 559	(116 108)	(2 721 093)	(11 105)	-	(5 320 655)	5 694 922

25.9 Reconciliation between segmented statements and entity level statements:

	Note	Assets	Liabilities	Revenue	Expenses
Totals in segment reporting	25	60 286 091	13 593 734	2 665 877	7 986 532
Inter-fund loan	25	(3 900 000)	(3 900 000)		
Inter-fund loan interest	25			(11 444)	(11 444)
Totals in Statements 1 and 2		56 386 091	9 693 734	2 654 433	7 975 088

Note 26 — Contingent liabilities

- 26.1 The information has been compiled using data available to 11 February 2022. Since then, no significant changes have taken place.
- 26.2 It should be noted that any estimate in this Note, of amounts to be paid by the 1992 Fund in compensation, has been made solely for the purpose of assessment of contingent liabilities without prejudice to the position of the 1992 Fund in respect of the claims. The estimated expenditure under the item 'Other costs' relates to legal and technical costs for the next financial year, i.e. for 2022. The rate applied is the rate of exchange for the pound sterling against various currencies on 31 December 2021 as published in the London Financial Times.
- 26.3 There are contingent liabilities of the 1992 Fund estimated at £45 998 000 (2020: £36 878 000) in respect of 12 incidents as at 31 December 2021.
- 26.4 Details of the contingent liabilities at 31 December 2021, given in rounded figures, are set out below:

Incident	Date	Compensation (incident currency)	Compensation £	Other costs £	2021 Total £	2020 Total £
1 <i>Prestige</i>	13.11.02		-	75 000	75 000	100 000
2 <i>Solar 1</i>	11.08.06	STOPIA 2006	-	15 000	15 000	15 000
3 <i>Hebei Spirit</i>	07.12.07		-	170 000	170 000	750 000
4 <i>Redferm</i>	30.03.09		-	10 000	10 000	5 000
5 <i>Haekup Pacific</i>	20.04.10	STOPIA 2006	-	25 000	25 000	10 000
6 <i>Alfa I</i>	05.03.12		-	75 000	75 000	100 000
7 <i>Nesa R3</i>	19.06.13		-	50 000	50 000	50 000
8 <i>Trident Star</i>	24.08.16	STOPIA 2006	-	50 000	50 000	50 000
9 <i>Nathan E. Stewart</i>	13.10.16		-	5 000	5 000	5 000
10 <i>Agia Zoni II</i>	10.09.17	EUR 39.3 million	31 646 000	330 000	31 976 000	35 543 000
11 <i>Bow Jubail</i>	23.06.18		-	250 000	250 000	250 000
12 <i>Incident in Israel</i>	17.02.21	ILS 55 million	13 047 000	250 000	13 297 000	-
TOTAL			44 693 000	1 305 000	45 998 000	36 878 000

26.5 Prestige

- 26.5.1 In November 2017, the Court in La Coruña delivered a judgment on the quantification of the losses resulting from the *Prestige* incident, awarding over EUR 1.6 billion in compensation.
- 26.5.2 The Supreme Court in Spain delivered its judgment on the quantification of the losses in December 2018, awarding some EUR 1 439.1 million (after amendments) (losses of some EUR 885.0 million plus pure environmental and moral damages of some EUR 554.1 million). The judgment clarified that only the losses were recoverable from the 1992 Fund. In addition, the judgment awarded interest and costs.
- 26.5.3 The total amount of the established claims in the *Prestige* incident exceeds the maximum amount available for compensation under the 1992 Conventions; SDR 135 million corresponding to EUR 171 520 703 (some EUR 22.8 million under the 1992 Civil Liability Convention (CLC) and some EUR 148.7 million under the 1992 Fund Convention).

- 26.5.4 The Court in charge of the enforcement of the Supreme Court judgment issued an order in March 2019 requesting the 1992 Fund to pay the limit of its liability after deducting the amounts already paid, i.e. some EUR 28 million.
- 26.5.5 The 1992 Fund has paid a total of some EUR 147.9 million, including EUR 57 555 000 and EUR 56 365 000 paid to the Spanish State in 2003 and 2006, respectively; EUR 328 488 to the Portuguese State in 2006; some EUR 5.8 million to French claimants and a payment of some EUR 27.2 million into the Spanish Court in April 2019.
- 26.5.6 The balance payable by the 1992 Fund in compensation is some EUR 805 275, which is being retained by the 1992 Fund to possibly pay claimants with legal actions pending before the French courts amounting to some EUR 800 000 and a further EUR 4 800 available to pay the Portuguese Government who are not party to the legal proceedings in Spain. The amount still to be paid was provided for in 2017 following the November 2017 judgment.
- 26.5.7 For the purposes of contingent liabilities, fees and other costs for 2022 have been estimated at £75 000 (2020: £100 000).
- 26.6 Solar 1
- 26.6.1 The owner of the *Solar 1* is a party to STOPIA 2006 whereby the limitation amount applicable to the tanker is increased, on a voluntary basis, to SDR 20 million. It is very unlikely that the amount of compensation payable in respect of this incident will exceed the STOPIA 2006 limit of SDR 20 million and therefore, very unlikely that the 1992 Fund will be called upon to pay compensation.
- 26.6.2 Three claims remain outstanding, namely a claim by the Philippine Coast Guard (PCG) assessed at PHP 104.8 million, a claim by 967 fisherfolk assessed at PHP 13.5 million and a claim by a group of municipal employees assessed at PHP 1.2 million. It is hoped that the PCG claim will be paid soon.
- 26.6.3 Under STOPIA 2006, compensation payments made over the 1992 CLC limit are paid initially by the 1992 Fund and reimbursed by the relevant P&I Club up to the maximum amount of SDR 20 million.
- 26.6.4 For the purpose of the contingent liabilities, costs for 2022 have been estimated at an amount of £15 000 (2020: £15 000).
- 26.7 Hebei Spirit
- 26.7.1 In August 2019, the Supreme Court rejected objections to the distribution of the Limitation Fund established by the shipowner, finalising all legal proceedings which has enabled the Limitation Fund to be distributed. The total amount awarded by the courts of the Republic of Korea is KRW 432.9 billion. Therefore, the total amount of established claims in respect of this incident has exceeded SDR 203 million, corresponding to KRW 321.6 billion, the maximum amount available for compensation under the 1992 Conventions.
- 26.7.2 The shipowner's insurer, the Skuld Club, reached the limit as per its Letter of Undertaking in 2015 and the 1992 Fund commenced making compensation payments. In April 2019, the 1992 Fund, following a bilateral agreement with the Government of the Republic of Korea, paid the remaining amount due to the Government of KRW 27 486 198 196 resulting in the total amount due to the Government of KRW 134 787 509 429 being reached.
- 26.7.3 In April 2019, the 1992 Fund made a further balancing payment totalling KRW 22 billion, bringing the total amount paid to KRW 44 billion. In November 2019, all legal proceedings related to the incident were finalised, and consequently, the remaining balance of KRW 3 454 578 571 payable to the Skuld Club was paid in July 2020. As at 31 December 2021, the total amount paid to the Club was KRW 47 454 578 571 (KRW 22 billion both in 2018 and 2019 and KRW 3 454 578 571 in 2020).

26.7.4 The table below summarises the 1992 Fund's liability for this incident:

	SDR	KRW
Maximum amount of compensation payable (rate based on date of decision of Executive Committee (13 March 2008))	203 million	321 618 990 000
Paid by shipowner's insurance (Exchange rate in force in November 2008)	89.77 million	186 831 480 571
Payable by shipowner's insurance, as established by Limitation Court (November 2018)	89.77 million	139 376 902 000
Payable by 1992 Fund	113.23 million	182 242 088 000
Balance amount due to shipowner's insurer from 1992 Fund		47 454 578 571
Paid by 1992 Fund	SDR	KRW
Maximum liability (rate based on date of decision of Executive Committee (13 March 2008))	113.23 million	182 242 088 000
Total amount payable to Government of the Republic of Korea by the 1992 Fund (KRW 321 618 990 000 less KRW 186 831 480 571)		134 787 509 429
Payments made to the Government of the Republic of Korea as at 31 December 2021		134 787 509 429
Total amount payable to shipowner's insurer from 1992 Fund		47 454 578 571
Payment made to shipowner's insurer in 2018		22 000 000 000
Payment made to shipowner's insurer in 2019		22 000 000 000
Payment made to shipowner's insurer in 2020		3 454 578 571

26.7.5 The joint cost expenditure was made by the shipowner's insurer until 31 December 2012 and since then by the 1992 Fund. An estimated proportion of joint costs are settled between the shipowner's insurer and the 1992 Fund on a periodic basis. The split used for joint costs between the 1992 Fund and the Club until the *Hebei Spirit* Limitation Court decision was finalised, was based on 56%/44%. Once the amount payable by the Club had been set, the joint costs could be reconciled on the basis of the final liability, resulting in a split of 56.66%/43.34% and not 56%/44%. In August 2021, following the joint costs reconciliation, the 1992 Fund made a payment of £285 389.62 to the Skuld Club. This payment covered all joint costs up to the end of 2020. Minor administrative costs are still being incurred, in relation to the storing of the incident documents for the period required by Korean Privacy laws, but these are being shared as per the established exchange rate and, therefore, do not give rise to issues of reconciliation.

26.7.6 In February 2021, the SHI Limitation Court issued a decision on the SHI limitation Fund and recognised the Fund's claim in full plus interest. In June 2021, it paid to the Fund its share of the limitation fund, totalling some £2.2 million. This amount was deposited in the Fund's account and was added to the amount available under the Major Claims Fund until the incident is formally closed.

26.7.7 For the purpose of contingent liability, further amounts payable by the 1992 Fund, including legal costs and joint costs for 2022, have been estimated at £170 000 (2020: £750 000).

26.8 Redferm

26.8.1 In late January 2012, the 1992 Fund was informed of an incident that occurred on 24 March 2009 at Tin Can Island, Lagos, Nigeria. Under the 1992 CLC, the limit of liability of the barge *Redferm* is believed to be SDR 4.51 million (£4.6 million) based on a preliminary estimation of the size of the barge.

26.8.2 A claim was filed in March 2012 against the 1992 Fund by 102 communities allegedly affected by the incident for USD 26.25 million.

- 26.8.3 In February 2014, following the October 2013 session of the 1992 Fund Executive Committee, the Secretariat wrote to the claimants rejecting their claims on the basis that the barge *Redfferm* was not a 'ship' within the definition of Article I(1) of the 1992 CLC and because insufficient information had been submitted in support of the claims submitted.
- 26.8.4 The Director has not been authorised by the 1992 Fund Executive Committee to make payment for this incident. It is expected that some legal costs will be incurred since legal proceedings in Nigeria are continuing, and the 1992 Fund will have to defend its position.
- 26.8.5 In late February, the 1992 Fund was notified by its Nigerian lawyers that the Federal High Court had delivered summary judgment against the 1st and 2nd Defendants (the owners/charterers of the *MT Concep* and *Redfferm*, respectively) and granted the claimants' claim as per their Statement of Claim in the sum of USD 92 602 000. The judge also awarded the claimants USD 5 000 000 as 'general damages'. However, given the financial standing of the parties involved, it is possible that judgment may, in time, be attempted to be enforced against the 1992 Fund.
- 26.8.6 The judge did not refer to pleadings filed by some defendants (including the 1992 Fund) in opposition to the claimants' application for final judgment. The 1992 Fund's lawyer requested a certified copy of the judgment and, upon receipt of this, a more complete understanding of the judgment may be obtained.
- 26.8.7 For the purpose of the contingent liabilities, fees and other costs for 2022 have been estimated at £10 000 (2020: £5 000).

26.9 Haekup Pacific

- 26.9.1 In April 2013, the Secretariat was informed of an incident that took place in April 2010 in the Republic of Korea. The *Haekup Pacific*, an asphalt carrier of 1 087 GT built in 1983, was involved in a collision with the *Zheng Hang*.
- 26.9.2 The *Haekup Pacific* was entered as a 'relevant ship' within the definition of STOPIA 2006 and therefore, the agreement applies.
- 26.9.3 The UK P&I Club retained surveyors who estimated that the cost of the oil removal operation would be in the region of USD 5 million whereas the wreck (with the cargo on board) removal operation would cost in excess of USD 25 million.
- 26.9.4 In April 2013, the shipowner/UK P&I Club issued legal proceedings against the 1992 Fund in order to protect their rights in respect of any future liability for costs of the removal operations which they might have to pay. The legal proceedings commenced by the shipowner/UK P&I Club were withdrawn in June 2013.
- 26.9.5 In April 2016, the shipowner and insurer filed a claim for USD 25.1 million in accordance with the STOPIA 2006 arrangement against the 1992 Fund before the expiry of the six-year time-bar, in order to preserve the shipowner and insurers' rights against the 1992 Fund in the event that they be instructed to comply with the wreck and oil removal orders. However, no decision has yet been taken by the authorities in the Republic of Korea on whether to revoke the oil and wreck removal orders or to enforce them. In 2017, the Court dealing with the dispute between the shipowners of the colliding vessels decided that since the wreck and oil removal orders remained in place, the *Haekup Pacific* owners/insurers were obliged to remove the wreck and oil on board. As a consequence, it is reasonable to deem that those costs had, in fact, arisen. The shipowner/insurer of the *Zheng Hang*, the colliding vessel, appealed against the Seoul High Court's judgment and that matter is now pending at the Supreme Court of Korea. In September 2019, the authorities requested a report from the shipowner/insurer in order for a final decision to be made on wreck and oil removal. In 2020, the

Supreme Court of Korea rendered its judgment and remanded the case to the appellate court, so that it could consider the question concerning whether the vessel's salvage and removal would be necessary and whether the administrative orders to salvage and remove the vessel should be revoked.

26.9.6 An operation was due to commence in late 2021 to remove the remaining bunker fuels on board the sunken vessel and the costs of this, and the question of whether such operation was indeed necessary, will need to be discussed by the 1992 Fund Executive Committee in 2022.

26.9.7 For the purpose of the contingent liabilities, fees and other costs for 2022 have been estimated at £25 000 (2020: £10 000).

26.10 Alfa I

26.10.1 The *Alfa I* incident occurred near Piraeus, Greece, in March 2012. Greece is a Party to the 1992 CLC, 1992 Fund Convention and the Supplementary Fund Protocol. Since the tonnage of *Alfa I* (1 648 GT) was below 5 000 units, the limitation amount applicable under the 1992 CLC is SDR 4.51 million (EUR 5.22 million). The tanker had an insurance policy limited to EUR 2 million, which did not cover pollution by persistent oil.

26.10.2 Six claims totalling EUR 16.1 million were submitted to the shipowner by two clean-up contractors. In addition, a claim by the Greek authorities of EUR 222 000 had been filed against the shipowner. The 1992 Fund has not been formally notified of the claim by the Greek authorities, and no further information has been provided by the shipowner.

26.10.3 At the April 2016 sessions of the IOPC Funds governing bodies, the Executive Committee authorised the Director to settle the main contractor's claim for EUR 12 million and to claim back from the insurer the 1992 CLC limit. In December 2016, the 1992 Fund was informed that the insurer would likely be put into voluntary liquidation as it could not comply with Greek insurance solvency regulations.

26.10.4 In March 2018, the Piraeus Court of Appeal issued its judgment. The judgment distinguished the case of carriage of more than 2 000 tonnes of oil (in which case the 1992 CLC right to limit applies) from the case of carriage of less than 2 000 tonnes of oil and held that in either case, there was an obligation to insure and a right of direct action against the insurer. The judgment also held that since no Limitation Fund had been established in this case, the insurer was liable for the full amount claimed by the main clean-up contractor, i.e. for EUR 15.8 million.

26.10.5 The 1992 Fund filed applications for prenotated mortgages against the unencumbered buildings owned by the insurer. Since then, legal proceedings have been undertaken, with the latest situation being that the 1992 Fund has two judgments in its favour, one against, and two appeals have been submitted to the Supreme Court of Appeal, with the first hearing date in February 2020. The estimated cost of these appeals is some EUR 40 000.

26.10.6 In June 2019, the insurer filed an appeal to the Supreme Court against the March 2018 judgment. The 1992 Fund has also filed an appeal to the Supreme Court supporting the obligatory insurance provisions under Article VII of the 1992 CLC. The appeal was set to be heard in February 2021. However, in January 2020, the 1992 Fund was informed that the Fund's claims against the liquidation fund of the insurer had been dismissed by the liquidator. Despite further enquiries made by the 1992 Fund's Greek lawyers, no reason has yet been provided for the dismissal, and further details are awaited from the Bank of Greece, being the supervising authority of the liquidation. The Fund's lawyers have sent the liquidator an extrajudicial declaration requesting the full list of claims and the justification for the dismissal of the Fund's claim. Further legal steps before the Athens Court of First Instance may be necessary to try to reinstate the Fund's claims before the liquidator.

26.10.7 A provision had already been made for the second clean-up contractor's claim that has been assessed by the 1992 Fund at EUR 100 000, which includes interest and legal costs. An offer of settlement at this figure was made to the second clean-up contractor in January 2017. However, the claimant did not accept the offer and the claim became time-barred. This provision was reversed in 2018. However, in September 2019, the 1992 Fund was served with legal proceedings by the second clean-up contractor for some EUR 349 400 plus interest. The claim was heard by the Piraeus Court of First Instance in late January 2020 and the 1992 Fund defended the claim on the basis of the time bar. Due to the effect of the COVID-19 pandemic on the court timetable, there were no further developments to report in 2020. However, the second clean-up contractor subsequently appealed the First Instance judgment, and a hearing took place in September 2021. In 2021, the 1992 Fund was successful at First Instance with its appeal to have its claim reinstated against the liquidator's list of claims, but the insurer appealed the judgment and a hearing would take place in late 2021.

26.10.8 For the purpose of the contingent liabilities, fees and other costs for 2022 have been estimated at £75 000 (2020: £100 000).

26.11 Nesa R3

26.11.1 On 19 June 2013, the 856 GT tanker *Nesa R3*, carrying 840 tonnes of bitumen from the port of Bandar Abbas in the Islamic Republic of Iran, sank off the Port Sultan Qaboos, Muscat, Sultanate of Oman, tragically claiming the life of its master.

26.11.2 In October 2013, the Government of Oman commenced legal action against the shipowner in the Court of Muscat, as the shipowner had refused to meet its obligation under the 1992 CLC. The insurer of the ship had also refused to consider any claims, citing the country of origin of the cargo as the reason.

26.11.3 In view of the considerations above, the 1992 Fund Executive Committee, at its session in October 2013, decided to authorise the Director to make payments of compensation in respect of claims arising from this incident.

26.11.4 In February 2016, the 1992 Fund joined the legal action by the Government of Oman against the shipowner and the insurer of the *Nesa R3*.

26.11.5 All claims in respect of this incident were settled in 2018. Thirty-three claims totalling OMR 5 915 218 have been received by the 1992 Fund. Twenty-eight claims have been settled and paid for a total amount of OMR 3 521 366 and BHD 8 419.35. The remaining claims have been assessed at nil.

26.11.6 In January 2018, the Court of Muscat issued a judgment which awarded OMR 1 777 113.44 and BHD 8 419.35 to the 1992 Fund. These payments correspond to the payments made up to the date of the judgment. The 1992 Fund is trying to pursue the shipowner/insurer to enforce the judgment.

26.11.7 Having reached a settlement of all the claims with the 1992 Fund, the Omani Government undertook to withdraw all claims from the proceedings. The claims have not yet been withdrawn. In the meantime, legal proceedings in the Court of Muscat are continuing.

26.11.8 For the purpose of the contingent liabilities, fees and other costs for 2022 have been estimated at £50 000 (2020: £50 000).

26.12 Trident Star

26.12.1 The ship is insured with the Shipowners' Club, which is part of the International Group of P&I Associations. The *Trident Star* was entered as a 'relevant ship' within the definition of STOPIA 2006 and therefore, STOPIA 2006 applies to this case, increasing the shipowner's limit to SDR 20 million.

26.12.2 Claims for pollution damage arising from this incident surpass the 1992 CLC limit applicable to the *Trident Star* (SDR 4.51 million or RM 27.1 million). Although STOPIA 2006 applies to this incident, it is not likely that the STOPIA 2006 limit will be reached. The 1992 Fund is liable to pay compensation since the 1992 CLC limit has been reached.

26.12.3 Since claims arising from this incident exceed the 1992 CLC limit applicable to the *Trident Star* of RM 27.1 million (USD 6.7 million), the 1992 Fund is liable to pay compensation now, albeit all payments will be recovered later from the shipowner's insurer under STOPIA 2006. Claims have been settled at USD 7.5 million of which the Fund has paid USD 561 695. The Club has reimbursed the 1992 Fund for all compensation payments made to date.

26.12.4 The Shipowners' Club and the 1992 Fund are finalising an out-of-court settlement agreement with the only claims that remained outstanding, by a group of shipping companies. The settlement amount will be paid by the Shipowners' Club. The settlement agreement was executed in March 2022.

26.12.5 For the purpose of contingent liabilities, fees and other costs for 2022 have been estimated at £50 000 (2020: £50 000).

26.13 Nathan E. Stewart

26.13.1 In October 2018, the Director was served with proceedings concerning an incident that occurred two years earlier in 2016. On 13 October 2016, the articulated tug-barge (ATB), composed of the tug *Nathan E. Stewart* and the tank barge *DBL 55*, ran aground on Edge Reef near Athlone Island, at the entrance to the Seaforth Channel, approximately 10 nautical miles west of Bella Bella, British Columbia, Canada. The tug's hull was eventually breached and approximately 110 000 litres of diesel oil was released into the environment. The tug subsequently sank and separated from the barge.

26.13.2 A First Nation community consisting of five tribes has brought a legal action against the owner, operators, the master and an officer of the *Nathan E. Stewart/DBL 55* ATB at the British Columbia Supreme Court. The claimants also include as third parties, among others, the Ship-source Oil Pollution Fund (SOPF) in Canada, the 1992 Fund and the Supplementary Fund.

26.13.3 The application of the Conventions is not clear in this case, principally on two fronts: firstly it has not been established whether the *Nathan E. Stewart/DBL 55* ATB could be considered a 'ship' under Article I(1) of the 1992 CLC; and secondly, even if this were the case, the unit was not actually carrying oil in bulk as cargo at the time of the incident and it is not clear whether it was carrying any persistent oil in bulk as cargo during any previous voyage. Its last known cargo was jet fuel, a non-persistent product.

26.13.4 The legal action brought by the First Nation community at the British Columbia Supreme Court has been stayed by the Federal Court of Canada pursuant to an order rendered in July 2019 in the context of limitation proceedings commenced by the owners of the tug and the barge. The Federal Court has ordered that a Limitation Fund be constituted pursuant to the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (Bunkers Convention 2001), and the Convention on Limitation of Liability for Maritime Claims, 1976, as modified by the 1996 Protocol (LLMC 76/96), on the basis of the combined tonnage of the tug and barge. The Court has also concluded that there is no factual basis upon which a Civil Liability Convention fund could be constituted at this time.

26.13.5 Even if this case were proved to fall under the 1992 Civil Liability and Fund Conventions, there is no indication that the damages would exceed the shipowner's liability limit under the 1992 CLC.

26.13.6 For the purpose of the contingent liabilities, fees and other costs for 2022 have been estimated at £5 000 (2020: £5 000).

26.14 *Agia Zoni II*

- 26.14.1 On 10 September 2017, the tanker *Agia Zoni II* sank at anchor in the Piraeus anchorage area, spilling approximately 700 tonnes of crude oil on the coast of Salamina Island, and subsequently around the coast of Piraeus along some 20 to 25 kilometres of coastline. The insurer (a fixed premium insurer) established a Limitation Fund for EUR 5.41 million and made it clear that it did not consider itself liable for any costs incurred thereafter.
- 26.14.2 Extensive clean-up operations commenced involving, at times, over 400 personnel. Oil removal operations from the wreck were concluded by 30 October 2017. The salvors were then instructed to remove the wreck at no cost to the Greek Government. The wreck was lifted by 30 November 2017.
- 26.14.3 Given the impact on the coastline and the importance of the incident to the Greek Government, a local Claims Submissions Office was set up in October 2017.
- 26.14.4 The limitation fund administrator has concluded the claims evaluation procedure of the 84 claims filed at the Limitation Court (totalling EUR 94.4 million) by publishing his provisional assessments with an assessed figure totalling EUR 45.45 million. Every claimant against the Limitation Fund had the right to accept or appeal the provisional assessment by the end of September 2019, but only eight claimants appealed the assessment. A court hearing took place in January 2020 to deal with the appeals lodged against the limitation fund administrator's assessments. A further hearing took place on 25 February 2020.
- 26.14.5 By 10 March 2021, the 1992 Fund had received 421 claims amounting to EUR 98.6 million and USD 175 000, with 409 claims approved and compensation payments totalling EUR 14.9 million paid. The 1992 Fund subrogated the claims it had paid against the Limitation Fund before the deadline (5 May 2018) for filing claims expired.
- 26.14.6 In July 2019, the 1992 Fund was served with legal proceedings filed at the Piraeus Court of First Instance by two of the clean-up contractors for the balance of their unpaid claims amounting to EUR 30.26 million and EUR 24.74 million, respectively, after deducting the advance payments made so far. In December 2019, the third clean-up contractor also served the 1992 Fund with legal proceedings for its claim of EUR 8.9 million.
- 26.14.7 In September 2019, the 1992 Fund was served with legal proceedings by representatives of 78 fisherfolk, 39 of whom had already filed claims with the 1992 Fund's Claims Submissions Office. A court hearing date is awaited.
- 26.14.8 Through 2020, further legal proceedings were served on the 1992 Fund. Currently, the 1992 Fund faces 58 legal cases (some for several claimants), amounting to claimed compensation of EUR 80 039 363. On an initial assessment, many of these claims were assessed as zero by the 1992 Fund's experts. Furthermore, of these claims, many are already included within the Limitation Fund proceedings. Of the writs filed against the 1992 Fund, the net exposure is some EUR 10.3 million, after discounting those claims already filed against the Limitation Fund.
- 26.14.9 It is still early to determine what the final 1992 Fund's liability for this incident will be as claims are still being received and are being assessed. At the time of the incident, experts engaged by the 1992 Fund estimated that compensation in the region of some EUR 50 million to EUR 60 million may be payable for this incident. This amount includes the amount payable under the 1992 CLC, leaving an estimated amount of some EUR 55 million payable by the 1992 Fund.

26.14.10 The estimated amount payable by the 1992 Fund is set out below:

Agia Zoni II incident	Amount in euros
Estimated compensation payable	60 000 000
Less CLC limit	5 400 000
Estimated liability for 1992 Fund	54 600 000
Less Compensation paid to 31 December 2021	(14 928 040)
Less Compensation Provision brought forward from 2020	(391 153)
Less Compensation Provision for 2021	(1 590 000)
Contingent liability	37 690 807

26.14.11 For the purpose of contingent liabilities, an estimate of EUR 37.7 million (£31.2 million) (2020: £35.1 million) of compensation and fees and other costs of £330 000 is made for 2022 (2020: £400 000).

26.15 Bow Jubail

26.15.1 At its April 2019 session, the 1992 Fund Executive Committee noted that on 23 June 2018, the oil and chemical tanker m.t.v. *Bow Jubail* (23 196 GT) collided with a jetty owned by LBC Tank Terminal in Rotterdam, the Kingdom of the Netherlands. As a consequence of the collision, a leak occurred in the area of the starboard bunker tank, resulting in a spill of fuel oil into the harbour. At the time of the incident, the *Bow Jubail* was in ballast.

26.15.2 The shipowner applied before the Rotterdam District Court for leave to limit its liability in accordance with the LLMC 76/96 (SDR 14 312 384). The shipowner argued that the incident was covered under Article 1.8 of the Bunkers Convention 2001.

26.15.3 In November 2018, the Rotterdam District Court decided that the shipowner had not proved that the tanker did not contain residues of persistent oil at the time of the incident and that therefore the *Bow Jubail* qualified as a ship as per Article I(1) of the 1992 CLC. The shipowner appealed to the Court of Appeal in The Hague.

26.15.4 The ship is insured with Gard P&I (Bermuda) Ltd, which is a member of the International Group of P&I Associations. The limitation amount applicable to the *Bow Jubail* if the 1992 CLC were to apply would be SDR 15 991 676. However, the owner of the *Bow Jubail* is a party to STOPIA 2006 (as amended in 2017) whereby the shipowner would indemnify, on a voluntary basis, the 1992 Fund for the difference between the limitation amount applicable to the *Bow Jubail* under the 1992 CLC and the amount of compensation paid by the 1992 Fund, up to a limit of SDR 20 million.

26.15.5 It is likely that the total pollution damage will exceed the limit that would apply to the ship under the 1992 CLC and in that case, both the 1992 Fund Convention and the Supplementary Fund Protocol could apply to this incident. The total claimed amount so far is in the region of EUR 80 million.

26.15.6 However, if the shipowner is successful in proving that there were no such residues on board, the incident would fall under the Bunkers Convention 2001 and therefore, the limitation amount of the LLMC 76/96 would apply and the 1992 Fund would not be involved in this case.

26.15.7 The Court of Appeal in The Hague rendered its judgment on 27 October 2020, confirming the Rotterdam District Court's judgment that the *Bow Jubail* qualified as a ship as per Article I(1) of the 1992 CLC.

26.15.8 The shipowner has appealed to the Supreme Court and the 1992 Fund's application to join the proceedings has been accepted by the Supreme Court. The Fund will therefore participate in the proceedings.

26.15.9 For the purpose of contingent liabilities, fees and other costs for 2022 have been estimated at £250 000 (2020: £250 000).

26.16 *Incident in Israel*

26.16.1 On 17 February 2021, tar balls washed up along the Israeli coastline in a storm of 4-metre wave height and strong winds of up to 35–50 knots. The tar balls, ranging in severity from medium-heavy pollution to very light dispersed tar balls, kept being washed ashore until 21 March 2021. The pollution affected the entire coastline of Israel to varying degrees.

26.16.2 At its July 2021 session, the 1992 Fund Executive Committee decided that the pollution which had affected the coastline of Israel could be considered a spill from an unknown source (a so-called 'mystery spill') and that, therefore, the 1992 CLC and the 1992 Fund Convention applied to this incident.

26.16.3 No claim has been submitted yet, so no calculation can be made on compensation for contingent liability purposes. However, the Israeli Government informed the Fund that they had already incurred clean-up costs totalling ILS 55 million (£13 million). More claims are expected in other sectors but have not yet been submitted.

26.16.4 The Fund has appointed a local focal point as well as local lawyers to deal with the case. For the purpose of contingent liability, compensation has been estimated at ILS 55 million, and fees and other costs for 2022 have been estimated at £250 000.

Note 27 — Commitments

27.1 On 15 February 2016, the Secretary-General of IMO and the Director of the IOPC Funds signed an agreement whereby IMO agrees to underlet the IOPC Funds office space on the first-floor rear wing in its headquarters building. The lease came into effect on 1 March 2016 and will expire on 25 October 2032, with rent fixed at £258 000 per annum until the break point of 31 October 2024.

27.2 The United Kingdom Government meets 80% of the costs related to the rental of the Secretariat's office premises in the IMO headquarters building.

27.3 Future minimum lease payments payable by the 1992 Fund for the office in the IMO headquarters building:

	Secretariat office/storage space (100%) £
Not later than one year	258 000
Later than one year and not later than five years	473 000

Note 28 — Related parties and key management personnel

28.1 Key management personnel:

	2021	2020
Number of individuals	5	6
	£	£
Basic salary and post adjustment	780 500	779 507
Entitlements	46 903	50 156
Provident Fund and health insurance	188 788	195 876
Post-employment benefits	128 409	-
Total remuneration	1 144 600	1 025 539
Outstanding loans	-	-

28.2 In 2021, the Director was assisted in the day-to-day running of the Secretariat by the Management Team, comprising of the Deputy Director/Head of the Finance and Administration Department, Head of the External Relations and Conference Department, Head of the Claims Department and Head of the Information Technology Department.

28.3 In 2021, the aggregate remuneration paid to key management personnel included: net salaries, post-adjustment, entitlements such as representation allowance and other allowances, and the organisation's contribution to the Provident Fund and health insurance.

28.4 Key management personnel are also qualified for post-employment benefits at the same level as other employees. These benefits have been estimated by the management.

28.5 Related parties

The Director is *ex officio* Director of the Supplementary Fund. The Supplementary Fund is a related party to the 1992 Fund as they are both administered by the 1992 Fund Secretariat, for which the Supplementary Fund pays the 1992 Fund a management fee of £36 000 (2020: £38 000). At year-end, an amount of £118 was payable to the Supplementary Fund.

Note 29 — Events after reporting date

29.1 The 1992 Fund's reporting date is 31 December 2021.

29.2 On the date of signing these Financial Statements, there have been no other material events, favourable or unfavourable, incurred between the balance sheet date and the date when the Financial Statements were authorised for issue that would have impacted these statements.

29.3 The date of authorisation for issue is the date of certification by the External Auditor.