



INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUND 1971

ADMINISTRATIVE COUNCIL
15th session
Agenda item 7

71FUND/AC.15/5
12 July 2004
Original: ENGLISH

2003 FINANCIAL STATEMENTS AND AUDITOR'S REPORT AND OPINION

Note by the Director

Summary: The financial statements and the Auditor's Report and Opinion are set out.

Action to be taken: Approval of financial statements.

- 1 The financial statements of the 1971 Fund are audited by the Comptroller and Auditor General of the United Kingdom.
- 2 In accordance with Article 29.2(f) of the 1971 Fund Convention, the Director has prepared the financial statements of the 1971 Fund for the financial year 2003. Pursuant to Financial Regulation 13.9, the External Auditor has submitted to the Administrative Council, through its Chairman, his Report on the audit of the financial statements of the 1971 Fund for the financial period ended 31 December 2003. The Director has prepared comments on the financial statements. These comments and the Auditor's Report are at Annexes I and II, respectively.
- 3 Under Financial Regulation 13.15 the External Auditor shall express an opinion on the financial statements on which he is reporting. This Opinion is at Annex III.
- 4 Financial Regulation 12.3 provides that the financial statements to be prepared by the Director shall comprise of the following:
 - (a)
 - (i) a Statement of Appropriations and Obligations Incurred;
 - (ii) Income and Expenditure Accounts for all funds;
 - (iii) a Balance Sheet;
 - (iv) a Cash Flow Statement;
 - (b) such notes as may be necessary for a better understanding of the financial statements, including a statement of the significant accounting policies and details of contingent liabilities.

5 The following financial statements for the period 2003 are submitted herewith:

Statement I Statement of Budget Appropriations and Obligations Incurred in respect of the General Fund for the financial period 1 January - 31 December 2003

Statement II Summary of Income and Expenditure Account in respect of the General Fund and Major Claims Funds for the financial period 1 January - 31 December 2003

Statement III Income and Expenditure Account in respect of the General Fund for the financial period 1 January - 31 December 2003

Statement IV.1 Income and Expenditure Account in respect of the *Aegean Sea* and *Braer* Major Claims Fund for the financial period 1 January - 31 December 2003

Statement IV.2 Income and Expenditure Account in respect of the *Keumdong N°5*, *Sea Empress* and *Nakhodka* Major Claims Fund for the financial period 1 January – 31 December 2003

Statement IV.3 Income and Expenditure Account in respect of the *Sea Prince*, *Yeo Myung* and *Yuil N°1* Major Claims Fund for the financial period 1 January – 31 December 2003

Statement IV.4 Income and Expenditure Account in respect of the *Nissos Amorgos* and *Osung N°3* Major Claims Fund for the financial period 1 January – 31 December 2003

Statement V Balance Sheet of the 1971 Fund as at 31 December 2003

Statement VI Cash Flow Statement for the 1971 Fund for the financial period 1 January - 31 December 2003

Statement II has been inserted for the first time in consultation with the External Auditor to facilitate the reading of the financial statements.

6 In addition to the financial statements submitted, the following reports are attached:

Schedule I Report on Contributions during the financial period 1 January – 31 December 2003 and on contributions outstanding for previous financial periods

Schedule II Report on Payment of Claims for the financial period 1 January - 31 December 2003

Schedule III Details of Contingent Liabilities of the 1971 Fund as at 31 December 2003

7 The certified financial statements for the financial period 1 January to 31 December 2003 are at Annex IV.

8 **Action to be taken by the Administrative Council**

The Administrative Council is invited to consider the External Auditor's Report and Opinion and to approve the financial statements for the financial period 1 January to 31 December 2003.

ANNEX I

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1971

DIRECTOR'S COMMENTS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD 1 JANUARY TO 31 DECEMBER 2003

1 *Introduction*

- 1.1 The International Oil Pollution Compensation Funds 1971 and 1992 (the IOPC Funds) are two intergovernmental organisations which provide compensation for oil pollution damage resulting from spills of persistent oil from tankers. The International Oil Pollution Compensation Fund 1971 (1971 Fund) was established in October 1978. It operates within the framework of two international Conventions: the 1969 International Convention on Civil Liability for Oil Pollution Damage (1969 Civil Liability Convention) and the 1971 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage (1971 Fund Convention). This 'old' regime was amended in 1992 by two Protocols. The amended Conventions, known as the 1992 Civil Liability Convention and the 1992 Fund Convention, entered into force on 30 May 1996. The International Oil Pollution Compensation Fund 1992 (1992 Fund) was set up under the 1992 Fund Convention. The 1971 Fund Convention ceased to be in force on 24 May 2002 and does not apply to incidents occurring after that date. However, before the 1971 Fund can be wound up, all pending claims arising from incidents occurring before that date in 1971 Fund Member States will have to be settled and paid and any remaining assets distributed among contributors.
- 1.2 The maximum amount of compensation payable under the 1969 and the 1971 Conventions for any one incident is 60 million Special Drawing Rights (SDR)^{<1>}. This amount includes the sum actually paid by the shipowner or his insurer.
- 1.3 The 1971 Fund has an Administrative Council which deals with both administrative and incident-related matters and is responsible for the winding up of that Organisation.

2 *Secretariat*

- 2.1 The IOPC Funds have a joint Secretariat, based in London, headed by a Director. From a formal point of view, the 1992 Fund Secretariat administers the 1971 Fund also.
- 2.2 As at 31 December 2003 the Secretariat had 30 established posts. The IOPC Funds use external consultants to provide advice on legal and technical matters as well as on matters relating to management. In connection with a number of incidents the Funds and the shipowner's third party liability insurer involved have jointly established local claims offices to facilitate the efficient handling of the great numbers of claims submitted and in general to assist claimants.

3 *Investment Advisory Body*

The Assemblies of the 1971 Fund and 1992 Fund have for each Organisation established an Investment Advisory Body, consisting of experts with specialist knowledge in investment matters to advise the Director in general terms on such matters.

<1> The SDR which is the unit of account used in the Conventions referred to in paragraph 1.2 is valued on the basis of a basket of key international currencies and serves as the unit of account of the International Monetary Fund (IMF) and a number of other international organisations.

4 *Audit Body*

4.1 At their respective sessions in October 2002 the governing bodies of the 1971 and 1992 Funds established a joint Audit Body for the two Funds with the following mandate:

- review the effectiveness of the Organisations regarding key issues of financial reporting, internal controls, operational procedures and risk management;
- promote the understanding and effectiveness of the audit function within the Organisations, and provide a forum to discuss internal controls; operational procedures and matters raised by the external audit;
- discuss with the External Auditor the nature and scope of each forthcoming audit;
- review the Organisations' financial statements and reports;
- consider all relevant reports by the External Auditor, including financial statements; and
- make appropriate recommendations to the governing bodies.

4.2 The Audit Body met in March, June and December 2003 and informally in October 2003 at the time of the October 2003 session of the Administrative Council.

5 *Financial Overview*

5.1 There are separate income and expenditure accounts for the General Fund and for each of the Major Claims Funds. The General Fund covers the 1971 Fund's expenses for the administration, including the 1971 Fund's share of the costs of running the joint Secretariat, and for claims expenditure for incidents to the extent that the aggregate amount payable by the 1971 Fund does not exceed the Pounds sterling equivalent of 1 million SDR per incident converted at the rate applicable on the date of the incident. Separate Major Claims Funds are established for incidents where the total amount payable by the 1971 Fund exceeds 1 million SDR.

5.2 In October 2000 the 1971 Fund purchased insurance covering any liabilities of the 1971 Fund for compensation and indemnification up to 60 million SDR per incident (as well as legal and experts' fees) in respect of incidents occurring during the period 25 October 2000 - 24 May 2002 when the 1971 Fund Convention ceased to be in force. Two 1971 Fund incidents fall under the insurance policy, namely the *Zeinab* and *Singapura Timur* incidents.

5.3 The 1971 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. No contributions were levied for payment in 2003. Details of outstanding contributions for previous financial periods are provided in **Schedule I**.

5.4 The majority of the 1971 Fund's assets at the end of the 2003 financial period amounting to some £75.8 million were held in Pounds sterling. Interest on investments during the period amounted to some £2.3 million.

5.5 During 2003 all outstanding issues in relation to the *Sea Empress* incident (United Kingdom, 1996) had been resolved. In particular, an out-of-court settlement was reached in respect of a recourse action brought by the 1971 Fund against the Milford Haven Port Authority which operated the port where the *Sea Empress* grounded. As a result of this out-of-court settlement the Port Authority's insurers paid the 1971 Fund £20 million in full and final settlement. During 2003 considerable progress has been made in respect of other incidents involving the 1971 Fund. The incidents in which the 1971 Fund was involved during 2003 are listed in **Schedule II**.

- 5.6 Claims related expenditure during 2003 totalled some £10.7 million. The payments mainly related to the *Aegean Sea* incident (£3.8 million), *Nissos Amorgos* incident (£3.8 million) and *Sea Empress* incident (£1.6 million).
- 5.7 The joint Secretariat's administrative expenses for 2003 amounted to £2 543 795 with the 1971 Fund's share being £533 140.
- 5.8 The balance sheet of the 1971 Fund as at 31 December 2003 is reproduced in Statement V of the financial statements. The balances on the General Fund and the *Aegean Sea*, *Braer*, *Keumdong N°5*, *Sea Empress*, *Nakhodka*, *Sea Prince*, *Yeo Myung*, *Yuil N°1*, *Nissos Amorgos* and *Osung N°3* Major Claims Funds are given in Statements III, IV.1, IV.2, IV.3 and IV.4. The General Fund balance as at 31 December 2003 stood at £4 513 875 which is lower than the working capital of £5 million set by the Administrative Council.
- 5.9 The contingent liabilities as at 31 December 2003 were estimated at over £95 million in respect of 12 incidents as detailed in **Schedule III**.
- 5.10 At its October 2003 session the Administrative Council decided to levy 2003 contributions due in 2004 to four Major Claims Funds for £16.8 million and reimbursements to contributors to be made in 2004 amounting to some £69.8 million from surpluses on six Major Claims Funds.

6 Comments on the respective financial statements

6.1 Statement of budget appropriations and obligations incurred in respect of the General Fund for the financial period 1 January - 31 December 2003 (Statement I)

The 1971 Fund Administrative Council, at its 9th session, acting on behalf of the 1971 Fund Assembly, and the 1992 Fund Assembly, at its 7th session, respectively, decided that the cost of running the joint Secretariat should, for the period 1 January to 31 December 2003, be distributed with 20% paid by the 1971 Fund and 80% by the 1992 Fund (documents 71FUND/AC.9/20, paragraph 17 and 92FUND/A.7/29, paragraph 24). The exceptions from this distribution are set out in Note 10 to the financial statements.

The figures in the extreme right hand column of Statement I show how the obligations incurred have been split between the 1971 Fund and the 1992 Fund.

The total obligations incurred in respect of both Organisations amount to £2 543 795 compared with the appropriation of £3 012 857. The savings amount accordingly to £469 062.

Transfers were made between appropriations within chapters of the budget, in accordance with Financial Regulation 6.3. There was one transfer between Chapters as authorised by the Assembly (documents 71FUND/AC.12/22, paragraph 18 and 92FUND/A.8/30, paragraph 23).

Expenses for running the Secretariat were made under the following Chapters as summarised below:

Chapter	Revised budget appropriations £	Obligations incurred		Balance of appropriations £
		£	%	
I Personnel	1 818 218	1 546 914	60.81	271 304
II General services	667 200	537 953	21.15	129 247
III Meetings	126 500	111 913	4.40	14 587
IV Travel	70 000	58 056	2.28	11 944
V Miscellaneous expenditure	270 939	270 939	10.65	-
VI Unforeseen expenditure	60 000	18 020	0.71	41 980
Total	3 012 857	2 543 795	100.00	469 062
VII Winding up 1971 Fund	250 000	-		250 000

Details of expenditure by Chapter are as follows.

I *Personnel*

The total expenditure under Personnel covers Salaries, Separation and recruitment and Staff benefits, allowances and training. The overall savings of some 15% (£271 304) was mainly due to no appointments being made to two professional posts approved by the Assembly and two professional posts which fell vacant during the financial year not being filled. Training costs in 2003 was also lower than the budget appropriation.

II *General services*

The savings under General Services was some some 19 % (£ 129 247) mainly in respect of savings under the appropriations for Public information and Office machines.

III *Meetings*

The main expense under this heading include the cost of translation of documents for meetings, interpretation during meetings and printing of documents for meetings. The total expenditure on Meetings was £111 913, compared with the appropriation of £126 500, resulting in a saving of £14 587. In 2003 meetings were held for 15 days rather than the 20 days anticipated in the 2003 budget. The 1992 Fund held one Intersessional Working Group meeting whereas the budget had included appropriation for two such meetings. Both the 1971 Fund Administrative Council and the 1992 Fund Executive Committee also held fewer sessions than envisaged in the budget appropriations. The costs related to Spanish translation and interpretation were borne only by the 1992 Fund, since Spanish is an official language of the 1992 Fund only. The joint costs for the meetings were apportioned between the two Funds on the basis of the duration of the meetings.

IV *Travel*

The Secretariat undertakes missions and participates in various conferences and seminars as required. In some cases missions were combined with conferences and seminars, and vice versa. Where possible travel in respect of incidents is also combined with missions, conferences and seminars. A saving of £11 944 was made under this Chapter.

V *Miscellaneous expenditure*

The total expenditure under this Chapter exceeded the appropriation of £255 000 by £15 939. Within the Chapter the cost of the Audit Body was £72 015 in 2003 compared to an appropriation of £50 000. When the appropriation for the cost of the Audit Body was set the composition of the Audit Body was not known and the costs relating to the Audit Body could not be estimated with any degree of accuracy. The excess was met from a transfer within the Chapter from Consultants' fees under Financial Regulation 6.3 and from Chapter I (Personnel) as decided by the Assembly at its October 2003 session (cf document 71FUND/AC.12/22, paragraph 18).

VI *Unforeseen expenditure*

During 2003 there was a requirement to expand the IT server room. Costs relating to this expansion were covered under this Chapter. In addition steps were taken to improve the communication link between the IOPC Funds' offices in Portland House and its offices in the IMO building as part of the IOPC Funds' business continuity programme. Costs

incurred in 2003 in this regard has been charged under this Chapter. The total costs under this Chapter amounts to £18 020 in 2003 against an appropriation of £60 000.

VII *Winding up 1971 Fund*

An appropriation of £250 000 had been included to cover the cost of studies and legal fees pertaining to the winding up of the 1971 Fund. There were no expenses in 2003 for this purpose, resulting in a saving of £250 000.

6.2 Summary of Income and Expenditure Account in respect of the General Fund and Major Claims Funds for the financial period 1 January - 31 December 2003 (Statement II)

Statement II provides a summary of the income and expenditure for the 1971 Fund for the financial period 2003.

The total income amounted to £23 564 757 consisting mainly of the receipt of £20 million as a result of the settlement of the recourse action in respect of the *Sea Empress* incident, the retrieval of a deposit of £ 1 112 894 from the Korean courts in respect of the *Sea Prince* incident as a result of the final settlement of all the claims in respect of this incident and interest on investments amounting to £2 270 198 (not including £4 874 being interest on the contributors' account).

Total expenditure for the period amounted to £11 261 028. The expenditure mainly related to claims related expenditure amounting to £10 727 888 and £533 140 being the obligations incurred in respect of the 1971 Fund's share of the running of the joint Secretariat.

Detailed figures of income and expenditure are provided in the respective financial statements.

6.3 Income and Expenditure Account in respect of the General Fund for the financial period 1 January - 31 December 2003 (Statement III)

Income

(a) Contributions

At its October 2002 session the Administrative Council decided not to levy contributions to the General Fund.

(b) Miscellaneous

The major part of the income under this head consisted of interest earned on loans made to Major Claims Funds and on the investment of the 1971 Fund's assets.

II *Expenditure*

The total expenditure was £1 149 764 of which the 1971 Fund's share of the costs of running the joint Secretariat was £533 140.

III *Excess of income over expenditure*

A deficit of £995 066 was recorded for the financial period ended 31 December 2003.

6.4 Income and Expenditure Account in respect of Major Claims Funds for the financial period 1 January - 31 December 2003 (Statement IV.1 - Statement IV.4)

There were twelve Major Claims Funds in 2003, including the *Vistabella* and the *Pontoon 300* Major Claims Funds for which the first levy was decided by the Administrative Council at its October 2003 session for payment in 2004 (cf document 71FUND/AC.12/22, paragraph 22.2). Details of income and expenditure are given in Statements IV.1-IV.4 for the other ten Major Claims Funds.

Income

(a) Contributions

At its October 2002 session the Administrative Council, acting on behalf of the Assembly, decided to make a levy of £21 million of 2002 annual contributions to the *Nissos Amorgos* Major Claims Fund due for payment in 2003, the entire levy to be deferred. In accordance with the authority given to him, the Director decided in June 2003 not to make any deferred levy to that Major Claims Fund.

(b) Other income

Contributions were levied or reimbursed on the basis of reports on contributing oil receipts in previous years and after clarification of oil receipts. The adjustments are set out in Note 3 to the Financial Statements.

Interest on investments amounted to £2 181 809 for the Major Claims Funds. Individual amounts are given in the respective statements and in Note 9 to the Financial Statements.

(c) As a result of an out-of-court settlement in respect of a recourse action taken by the 1971 Fund in relation to the *Sea Empress* incident the 1971 Fund recovered £20 million. Details of the settlement are given in Schedule II.

II *Expenditure*

(a) A total of £7 482 469 was paid in compensation/indemnification from five Major Claims Funds, consisting of payments in respect of the following incidents:

	£
<i>Aegean Sea</i>	2 895 274
<i>Sea Empress</i>	324 172
<i>Sea Prince</i>	9 324
<i>Yuil N°1</i>	567 455
<i>Nissos Amorgos</i>	3 686 244

(b) Fees and other expenditures amounted to £2 517 989.

6.5 Balance Sheet as at 31 December 2003 (Statement V)

I *Contributions outstanding*

The amount of £781 543 represents the outstanding balances of contributions levied from 1989 to 1999, as summarised in Schedule I.

II *Due from Major Claims Funds*

Financial Regulations 7.1(c)(iv) and 7.2(d), respectively, provide that loans can be made from the General Fund to a Major Claims Fund and from a Major Claims Fund to the General Fund or to another Major Claims Fund. Such loans shall be reimbursed with interest, in accordance with Financial Regulations 7.1(a)(v) and 7.2(b)(iii).

In the context of a consolidated Balance Sheet, the amounts due from the respective Major Claims Fund to the General Fund or another Major Claims Fund is treated as an asset of the General Fund or Major Claims Fund rather than as a deduction from the accumulated surplus on the General Fund or respective Major Claims Fund that provided the loan. The loans including interest will be reimbursed when contributions to the respective Major Claims Fund are received.

The following amounts are due from the Major Claims Funds to the General Fund as at 31 December 2003:

	£
<i>Vistabella</i> MCF	515 835
<i>Pontoon 300</i> MCF	498 809
<i>Nissos Amorgos</i> MCF	365 290
<i>Braer</i> MCF	71 980

Loans were taken by the *Sea Empress* Major Claims Fund from the General Fund during 2003 and the loans were reimbursed in December 2003 following the receipt of £20 million as a result of the settlement of a recourse action taken by the 1971 Fund (cf Note 7 to the Financial Statements).

Loans taken by the *Nissos Amorgos* Major Claims Fund from the *Nakodka* Major Claims Funds amount to £3 707 436 and the interest on these loans amount to £48 432, giving a total of £3 755 868.

The total amount therefore due from the *Nissos Amorgos* Major Claims Fund to both the General Fund and *Nakhodka* Major Claims Fund is £4 121 158.

An amount of £ 1 554 133 is due by *the Osung* N°3 Major Claims Fund to the *Aegean Sea* Major Claims Fund which includes loans and interest on the loans. No loans were taken in 2003. Interest charged in 2003 was £44 198.

III *Contributors' account*

There is an amount of £133 416 due to contributors who have elected to leave with the 1971 Fund amounts relating to reimbursements or overpayments. This amount will be set off against future annual contributions.

IV *Due to Major Claims Funds*

The balances due to the Major Claims Funds are as follows:

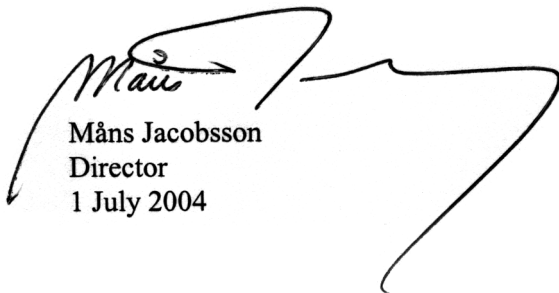
	£
<i>Aegean Sea</i> MCF	18 193 357
<i>Keumdong</i> N°5 MCF	7 072 831
<i>Sea Empress</i> MCF	18 499 087
<i>Nakhodka</i> MCF	14 976 056
<i>Sea Prince</i> MCF	11 174 257
<i>Yeo Myung</i> MCF	3 758 283
<i>Yuil</i> N°1 MCF	5 135 652

V *General Fund Balance*

The figure of £4 513 875 represents the excess of Income over Expenditure in respect of the General Fund over the years.

6.6 Cash Flow Statement for the financial period 1 January - 31 December 2003 (Statement VI)

During the period ended 31 December, the net cash inflow from operating activities was £10 292 413 and interest from the 1971 Fund's investments amounted to £2 275 072 which, added to the opening balance of £63 299 787, resulted in a cash balance as at 31 December 2003 of £75 867 272 (see Note 12 to the Financial Statements).



Måns Jacobsson
Director
1 July 2004

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**REPORT OF THE EXTERNAL AUDITOR ON THE
FINANCIAL STATEMENTS OF THE INTERNATIONAL
OIL POLLUTION COMPENSATION FUND 1971
FOR THE FINANCIAL PERIOD 1 JANUARY TO
31 DECEMBER 2003**

Comprising:

- EXECUTIVE SUMMARY
- SCOPE AND AUDIT APPROACH
 - DETAILED FINDINGS
- FOLLOW UP TO PREVIOUS AUDIT ISSUES
- ACKNOWLEDGEMENT

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EXECUTIVE SUMMARY

Overall results of the audit

1. I have audited the financial statements of the International Oil Pollution Compensation Fund 1971 ("the 1971 Fund") in accordance with the Financial Regulations and in conformity with Auditing Standards of the International Organisation of Supreme Audit Institutions, (INTOSAI)/Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency.
2. My examination revealed no weaknesses or errors which I considered material to the accuracy, completeness and validity of the financial statements as a whole and I have placed an unqualified opinion on the 1971 Fund's financial statements for the financial period ended 31 December 2003.

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3. Observations arising from the audit are set out below and in the section of this report entitled Detailed Findings. My audit of the 1971 Fund is integrated with my audit of the 1992 Fund. In consequence a number of observations and assurances are common to both; and are reflected in my audit reports on both Funds.

On claims expenditure

4. Total claims and claims related payments for the 1971 Fund in 2003 amounted to £10.7 million. My staff reviewed a sample of these claim payments and found them to be properly supported, and in accordance with the Fund's Regulations and established procedures. They also confirmed that the claims had been verified and settled as promptly as possible, while taking into account the due interests of the Fund and of the claimant.

On the operation of financial controls at the Fund's Secretariat

5. In addition to their review of claims and claims-related payments, my staff carried out an annual review of the overall financial control systems operating at the Fund's Secretariat. Their review covered procedures relating to:

- contributions and other income;
- claims and claims-related payments;
- Secretariat expenses (personnel and other administrative expenditure);
- cash and investments; and
- balances on Major Claims Funds.

6. My staff found that satisfactory controls continued to be in place over these systems; and that control procedures had been adhered to. Concerning the controls relating to the investment of cash held pending settlement of claims, my staff confirmed that the Secretariat had adhered the Fund's declared investment policy, covering the suitability and extent of investment with individual financial institutions.

On the settlement of the Sea Empress recourse action

7. Following the Executive Committee's decision that the 1971 Fund should take legal action against the Milford Haven Port Authority (MHPA) in relation to the Sea Empress incident, the 1971 Fund and MHPA agreed in February 2003 that they should explore the possibility of settlement by mediation. This mediation took place in October 2003 and as a result the

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Administrative Council was able to approve a proposed settlement by means of a payment by MPHA's insurers of £20 million to the Fund.

8. My staff inspected the agreement with the MPHA, to verify the amount of the settlement and confirm that the payment had been received in full.

On the work of the Audit Body

9. As noted in my last Report, an audit committee (referred to by the Funds as the "Audit Body") was established in 2002. My staff attended the four meetings of the Audit Body held in 2003. These meetings considered a number of matters, including the progress and findings of the audit and risk management.
10. Although risk management is the responsibility of the IOPC Funds' Secretariat, the Audit Body agreed that it would be useful for it to review the risks facing the IOPC Funds. My staff provided advice and assisted in the drawing up of a risk map and in the preparation of a strategic risk statement. The Secretariat have categorised the Funds' key strategic risks in the areas of business continuity, claims handling processes, financial risk, human resources management and reputational risk. Work is now under way to identify specific risks for each of these five areas.
11. The effective and productive work of the Audit Body, and the evolution of its coverage to embrace business and operational risk, represents a significant contribution to the Fund's governance arrangements and to the management of the Fund's operations and resources.

On the cessation of the 1971 Fund Convention and going concern issues

12. The 1971 Fund Convention ceased to be in force on 24 May 2002 when the number of States who are members of the 1971 Fund fell to 24; and the Convention does not apply to incidents occurring after that date.
13. The 1971 Fund financial statements have been prepared and audited on a going concern basis for the period ending 31 December 2003, since the 1971 Fund's operations will continue for the foreseeable future, until such time as all payments in relation to outstanding claims have been made.

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In Summary

14. The Fund's Secretariat is not large and provides a responsible and very effective standard of financial control and management. The results of our work for 2003 were wholly satisfactory; and my staff's audit examination serves to provide the Administrative Council with a high degree of assurance over the adequacy of the governance and financial management of the IOPC Funds.

SCOPE AND AUDIT APPROACH

Scope of the audit

15. I have audited the financial statements of the International Oil Pollution Compensation Fund 1971 for the financial period ended 31 December 2003. My examination was carried out with due regard to the provisions of the 1971 Fund Convention and to Regulation 13 of the 1971 Fund's Financial Regulations. The 1971 Fund's Secretariat, comprising the Director and his appointed staff, were responsible for preparing the financial statements; and I am responsible for expressing an opinion on them, based on evidence obtained in my audit.

Audit objective

16. The main objective of the audit was to enable me to form an opinion as to whether the income and expenditure recorded against both the General and Major Claims Funds in 2003 had been received and incurred for the purposes approved by the 1971 Fund Administrative Council; whether income and expenditure were properly classified and recorded in accordance with the 1971 Fund's Financial Regulations; and whether the financial statements fairly presented the financial position as at 31 December 2003.

Audit standards

17. My audit of the 1971 Fund's 2003 financial statements was carried out in accordance with the Auditing Standards of the International Organisation of Supreme Audit Institutions, (INTOSAI)/Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. These standards require me to plan the audit so as to obtain reasonable assurance that the 1971 Fund's financial statements are free of material misstatement.

Audit approach

18. My examination was based on a test audit, in which all areas of the financial statements were subject to direct substantive testing of the transactions and balances recorded. A further examination was carried out to ensure that the financial statements accurately reflected the 1971 Fund's accounting records and were fairly presented.
19. In accordance with the relevant Auditing Standards, my audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. This included:
- a general review of the 1971 Fund's accounting procedures;
 - an assessment of the internal controls for income, expenditure, bank balances and Major Claims Fund balances;
 - substantive testing of transactions of all types;
 - substantive testing of year end balances; and
 - a final examination to ensure that the financial statements accurately reflected the 1971 Fund's accounting records and were fairly presented.
20. These audit procedures are designed primarily for the purpose of forming an opinion on the Fund's financial statements. Consequently, my work did not involve a detailed review of all aspects of the Fund's budgetary and financial information systems and the results should not be regarded as a comprehensive statement on them.

Reporting

21. During the audit my staff sought such explanations as they considered necessary in the circumstances on matters arising from their examination of the internal controls, accounting records and financial statements. Observations on matters which I consider should be brought to the attention of the Administrative Council are set out in this present report. In accordance with normal practice, my staff record additional findings in a management letter to the Director.

Audit conclusion

22. My examination revealed no weaknesses or errors which I considered material to the accuracy, completeness and validity of the financial statements as a whole. Accordingly, I

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have placed an unqualified audit opinion on the 1971 Fund's financial statements for the financial period ended 31 December 2003.

DETAILED FINDINGS

Claims expenditure

23. Total claims and claims related payments for the 1971 Fund in 2003 amounted to £10.7 million compared with £41.2 million for 2002; and were mainly in respect of the Aegean Sea (35 per cent), Nissos Amorgos (35 per cent) and Sea Empress (15 per cent) incidents.
24. My staff examined a sample of these payments to supporting documentation held at the Secretariat's headquarters in London; and discussed the underlying claims with the Secretariat, including the Director, the Deputy Director, the Head of the Claims Department and the Claims Managers.
25. Furthermore, my staff carried out a review of the claims to ensure that all had been treated in accordance with the 1971 Fund's Regulations and established procedures. They also confirmed that the claims had been verified and settled as promptly as possible, while taking into account the due interests of the Fund and of the claimant.
26. Overall, my staff found that payments had been properly supported; and that related claims had been processed in accordance with Regulations and settled promptly.

Financial controls at the Fund's Secretariat

27. As part of the 2003 audit, my staff reviewed the main financial control systems at the Fund Secretariat relating to:
- contributions and other income;
 - claims and claims-related payments;
 - Secretariat expenses (personnel and other administrative expenditure);
 - cash and investments; and
 - the balances on Major Claims Funds.

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28. My staff confirmed that satisfactory controls were in place for these systems; and audit testing indicated that the control procedures had been adhered to during the financial period.
29. Concerning controls relating to the investment of cash held pending claims settlement, the 1971 Fund has an investment policy which sets out the types of financial institutions, and required credit ratings for these institutions, in which the Fund may invest. The policy is subject to review by the standing Investment Advisory Body, which advises the Director on institutions suitable for holding the Fund's investments.
30. My staff reviewed recommendations made by the Investment Advisory Body and tested a sample of the investments held by the 1971 Fund. They confirmed that the investments had been handled in accordance with the declared investment policy.

Settlement of the Sea Empress recourse action

31. In October 1999 the Executive Committee decided that the 1971 Fund should take legal action against the Milford Haven Port Authority (MHPA) in relation to the Sea Empress incident. In February 2003 the 1971 Fund and MHPA agreed that they should explore the possibility of settlement by mediation. The mediation took place in October 2003. The Administrative Council approved a proposed settlement by means of a payment by the MHPA's insurers of £20 million to the Fund by 31 December 2003.
32. My staff inspected the agreement with the MHPA to verify the amount of the settlement and checked the payment had been received in full by the 31 December 2003.

The work of the Audit Body

33. As I noted in my previous Report, an audit committee (referred to by the Funds as the "Audit Body") was created in 2002. Seven members were elected to the Audit Body at the joint session of the 1971 Fund Administrative Council and the 1992 Fund Assembly in October 2002. The Audit Body submitted its first report to the governing bodies in October 2003.
34. The setting up of the Audit Body represented a significant initiative in the good governance and financial management of the Funds' operations. My staff attended the four Audit Body meetings held in 2003. These meetings considered a number of matters including the progress and findings of the audit and risk management.
35. Although risk management is the responsibility of the IOPC Funds' Secretariat, the Audit Body agreed that it would be useful for it to review the risks facing the IOPC Funds and to provide some input to the development of systematic risk management arrangements.

ANNEX II

36. The Secretariat has been working with an external consultant and with advice and assistance from my staff to draw up a risk “map” for the IOPC Funds. In the first place, the Secretariat have taken forward the articulation of a strategic risk statement and have categorised the Funds’ key strategic risks into five areas:

- Business continuity
- Claims handling process
- Financial risk
- Human resource management
- Reputational risk

37. Work is now under way to identify specific risks for each of these five areas. My staff will continue to support and contribute to the development of the risk management arrangements in consultation with the Secretariat and the Audit Body.

Cessation of the 1971 Fund Convention and going concern issues

38. The 1971 Fund Convention ceased to be in force on 24 May 2002 when the number of States who are members of the Fund fell to 24. The Convention does not apply to incidents occurring after that date.

39. The cessation of the 1971 Fund Convention does not, in itself, result in the winding up of the Fund. Winding up can only take place once all pending claims arising from incidents covered by the Convention have been settled and all expenses have been paid.

40. The 1971 Fund insured against the cost of incidents occurring between 25 October 2000 and 25 October 2002 in order that, should a major incident occur, the liability for contributors in the declining number of the Fund’s remaining member states would be limited. The policy covers the payments on two incidents: Singapura Timur and Zeinab.

41. The 1971 Fund’s financial statements have been prepared and audited on a going concern basis for the period ending 31 December 2003, since the Fund’s operations will continue for the foreseeable future until such time as all payments in relation to outstanding claims have been made.

42. My staff noted that a number of Major Claims Funds are to be closed in 2004; and surpluses on these accounts are to be repaid to contributors to the respective Major Claims Funds in 2004.

Other financial matters

Amounts Written Off and Fraud

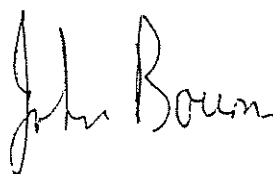
43. The Secretariat informed me that there were no amounts written off, or cases of fraud or presumptive fraud identified during the financial period.

FOLLOW UP TO THE PREVIOUS YEAR'S AUDIT ISSUES

44. In my 2002 Report, I reported on my staff's audit of claims expenditure, the operation of financial controls, global settlements, the new Audit Body, and cessation of the Fund and going concern. There are no matters arising that are not covered in my present report.

ACKNOWLEDGEMENT

45. I am pleased to record my appreciation of the co-operation and assistance extended by the Director and his staff during the course of my audit.



Sir John Bourn
Comptroller and Auditor General, United Kingdom
External Auditor

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**FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL
POLLUTION COMPENSATION FUND 1971 FOR THE YEAR
ENDED 31 DECEMBER 2003**

OPINION OF THE EXTERNAL AUDITOR

**To: the Assembly of the International Oil Pollution Compensation
Fund 1971**

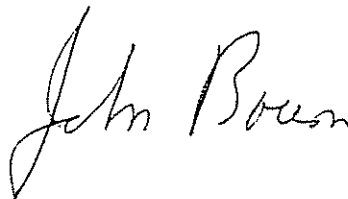
I have audited the appended financial statements, comprising Statements I to VI, Schedules I to III and Notes, of the International Oil Pollution Compensation Fund 1971 for the year ended 31 December 2003. These financial statements are the responsibility of the Director. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the Auditing Standards of the International Organisation of Supreme Audit Institutions, INTOSAI, and the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency as appropriate. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director, as well as evaluating the overall financial statement presentation.

In my opinion the financial statements present fairly the financial position as at 31 December 2003 and the results of the year then ended; and were prepared in accordance with the 1971 Fund's stated accounting policies which were applied on a basis consistent with that of the preceding financial year.

Further, in my opinion, the transactions of the 1971 Fund, which I have tested as part of my audit, have, in all material respects, been in accordance with the Financial Regulations and legislative authority.

In accordance with Financial Regulation 13, I have also issued a long-form Report on my audit of the Fund's financial statements.



**Sir John Bourn
Comptroller and Auditor General, United Kingdom
External Auditor**

London, 30 June 2004

ANNEX IV

**FINANCIAL STATEMENTS
OF THE INTERNATIONAL OIL
POLLUTION COMPENSATION FUND 1971
FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2003**

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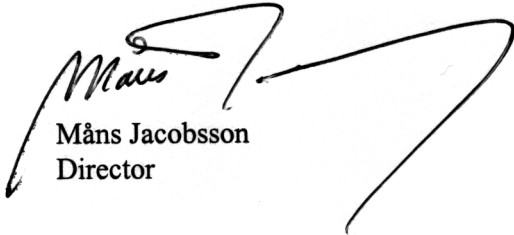
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CERTIFICATION OF THE FINANCIAL STATEMENTS

The appended financial statements numbered I to VI and the supporting schedules are certified.



Måns
Måns Jacobsson
Director



Ranjit S P Pillai
Head Finance & Administration Department

STATEMENT I
GENERAL FUND

STATEMENT OF BUDGET APPROPRIATIONS AND OBLIGATIONS INCURRED FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2003

CLASS OF EXPENDITURE	NOTE	BUDGET APPROPRIATIONS		REVISED BUDGET APPROPRIATIONS		OBLIGATIONS INCURRED		BALANCE OF APPROPRIATIONS		SPLIT OF OBLIGATIONS		
		2003	2002	2003	2002	2003	2002	2003	2002	1992 Fund	1971 Fund	
		£	£	£	£	£	£	£	£	£	£	
SECRETARIAT												
I	PERSONNEL											
a	Salaries	2	1 275 816	1 190 291	1 254 254	1 190 291	1 105 414	1 067 450	148 840	122 841	884 331	221 083
b	Separation and recruitment	2	35 000	55 000	40 623	55 000	40 623	5 479	0	49 521	32 498	8 125
c	Staff benefits, allowances and training		523 341	481 922	523 341	481 922	400 877	420 021	122 464	61 901	320 702	80 175
			1 834 157	1 727 213	1 818 218	1 727 213	1 546 914	1 492 950	271 304	234 263	1 237 531	309 383
II	GENERAL SERVICES											
a	Rent of office accommodation		249 700	240 450	249 700	240 450	236 049	225 311	13 651	15 139	188 839	47 210
b	Office machines		71 500	71 500	71 500	71 500	46 870	67 840	24 630	3 660	37 496	9 374
c	Furniture and other office equipment		17 500	17 500	17 500	17 500	8 366	11 437	9 134	6 063	6 692	1 674
d	Office stationery and supplies		20 000	20 000	20 000	20 000	16 001	17 547	3 999	2 453	12 801	3 200
e	Communications		65 000	65 500	65 000	65 500	52 890	59 922	12 110	5 578	42 312	10 578
f	Other supplies and services	2	41 000	38 000	40 642	38 000	28 565	32 493	12 077	5 507	22 852	5 713
g	Hospitality	2	22 500	16 500	22 858	16 500	22 858	14 675	-	1 825	18 287	4 571
h	Public information		180 000	180 000	180 000	180 000	126 354	91 205	53 646	88 795	106 404	19 950
			667 200	649 450	667 200	649 450	537 953	520 430	129 247	129 020	435 683	102 270
III	MEETINGS		126 500	126 500	126 500	126 500	111 913	114 685	14 587	11 815	100 433	11 480
IV	TRAVEL											
	Conferences, seminars and missions		70 000	70 000	70 000	70 000	58 056	66 328	11 944	3 672	46 445	11 611
V	MISCELLANEOUS EXPENDITURE											
a	External Audit		50 000	50 000	50 000	45 370	50 000	45 300	-	70	30 000	20 000
b	Payment to IMO for general services		-	6 500	-	-	-	-	-	-	-	-
c	Consultants' fees	2	125 000	100 000	118 924	111 130	118 924	111 130	-	-	95 139	23 785
d	Audit Body	2	50 000	-	72 015	-	72 015	-	-	-	36 008	36 007
e	Investment Advisory Body		30 000	27 000	30 000	27 000	30 000	27 000	-	-	15 000	15 000
			255 000	183 500	270 939	183 500	270 939	183 430	-	70	176 147	94 792
VI	UNFORESEEN EXPENDITURE		60 000	60 000	60 000	60 000	18 020	6 028	41 980	53 972	14 416	3 604
TOTAL I - VI			3 012 857	2 816 663	3 012 857	2 816 663	2 543 795	2 383 851	469 062	432 812	2 010 655	533 140
VII	WINDING UP 1971 FUND		250 000	250 000	250 000	250 000	-	16 000	250 000	234 000	-	-

Note A: This statement deals only with administrative expenditure. Expenditure in respect of claims is dealt with in Statement III for the General Fund and in Statements IV.1 to IV.4 for the various Major Claims Funds.

STATEMENT II

SUMMARY OF INCOME AND EXPENDITURE ACCOUNT OF THE GENERAL FUND AND MAJOR CLAIMS FUNDS
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2003

	2003													2003	2002
	General Fund	Aegean Sea	Braer	Kuemdong N°5	Sea Empress	Nakhodka	Sea Prince	Yeo Myung	Yuil No1	Nissos Amorgos	Osung N°3	Vistabella	Pontoon 300	Total	Total
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
INCOME															
Contributions															
Adjustment to prior years' assessment	(5 056)	(8 392)	(8 232)	(2 299)	-	-	(3 902)	(453)	(2 697)	-	-	-	-	(31 031)	1 725
Miscellaneous															
Interest on loan	69 296	44 198	-	-	-	48 432	-	-	-	-	-	-	-	161 926	90 288
Interest on overdue contributions	2 069	-	-	-	-	19 954	259	-	297	745	3 218	-	-	26 542	17 577
Interest on investments	88 389	669 752	-	263 177	450	508 767	399 324	139 987	200 352	-	-	-	-	2 270 198	3 193 153
Interest on Court Deposit	-	-	-	-	-	-	24 228	-	-	-	-	-	-	24 228	-
Refund of Court Deposit	-	-	-	-	-	-	1 112 894	-	-	-	-	-	-	1 112 894	-
Recovery as a result of global settlement	-	-	-	-	20 000 000	-	-	-	-	-	-	-	-	20 000 000	14 632 127
	159 754	713 950	-	263 177	20 000 450	577 153	1 536 705	139 987	200 649	745	3 218	-	-	23 595 788	17 933 145
Total income	154 698	705 558	(8 232)	260 878	20 000 450	577 153	1 532 803	139 534	197 952	745	3 218	-	-	23 564 757	17 934 870
EXPENDITURE															
Secretariat expenses															
Obligations incurred	533 140	-	-	-	-	-	-	-	-	-	-	-	-	533 140	737 150
Claims															
Compensation	433 378	2 895 274	-	-	324 172	-	9 324	-	567 455	3 686 244	-	-	-	7 915 847	38 396 714
Claims related expenditure & Interest on loans	183 246	896 327	10 300	2 557	1 263 375	14 088	55 755	199	128 853	102 337	44 198	25 073	85 733	2 812 041	2 848 131
	616 624	3 791 601	10 300	2 557	1 587 547	14 088	65 079	199	696 308	3 788 581	44 198	25 073	85 733	10 727 888	41 244 845
Total expenditure	1 149 764	3 791 601	10 300	2 557	1 587 547	14 088	65 079	199	696 308	3 788 581	44 198	25 073	85 733	11 261 028	41 981 995
Income less expenditure	(995 066)	(3 086 043)	(18 532)	258 321	18 412 903	563 065	1 467 724	139 335	(498 356)	(3 787 836)	(40 980)	(25 073)	(85 733)		
Exchange adjustment	-	4 094	-	-	-	(365)	(76 677)	-	-	(23)	-	-	-		
Balance b/f: 1 January	5 508 941	21 275 306	(53 448)	6 814 510	86 184	14 413 356	9 783 210	3 618 948	5 634 008	(333 299)	(1 513 153)	(490 762)	(413 076)		
Balance as at 31 December	4 513 875	18 193 357	(71 980)	7 072 831	18 499 087	14 976 056	11 174 257	3 758 283	5 135 652	(4 121 158)	(1 554 133)	(515 835)	(498 809)		

STATEMENT III

GENERAL FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2003

	Note	2003		2002	
		£	£	£	£
INCOME					
Contributions (Schedule I)					
Adjustment to prior years' assessment	3	(5 056)		1 725	
			(5 056)		1 725
Miscellaneous					
Interest on loan to <i>Vistabella</i> MCF	4	13 170		14 358	
Interest on loan to <i>Pontoon 300</i> MCF	4	16 522		14 154	
Interest on loan to <i>Nissos Amorgos</i> MCF	4	13 303		12 402	
Interest on loan to <i>Braer</i> MCF	4	4 816		879	
Interest on loan to <i>Sea Empress</i> MCF	4	21 485		-	
Interest on overdue contributions	8	2 090		2 221	
Less Interest on overdue contributions waived	8	(21)		-	
Interest on investments	9	88 389		209 027	
			159 754		253 041
Total income			154 698		254 766
EXPENDITURE					
Secretariat expenses (Statement I)					
Obligations incurred	10		533 140		737 150
Claims (Schedule II)					
Compensation		951 906		444 012	
Recovery from insurer	1(b)	(518 528)	433 378	(218 107)	225 905
Claims related expenses (Schedule II)					
Fees		190 678		205 765	
Travel		17 323		26 808	
Miscellaneous		531		391	
Recovery from insurer	1(b)	(25 286)		(2 293)	
			183 246		230 671
Total expenditure			1 149 764		1 193 726
(Shortfall)/excess of income over expenditure			(995 066)		(938 960)
Exchange adjustment			-		(1 115)
Balance b/f: 1 January			5 508 941		6 449 016
Balance as at 31 December	18		4 513 875		5 508 941

STATEMENT IV.1

INCOME AND EXPENDITURE ACCOUNT OF
THE AEGEAN SEA AND BRAER MAJOR CLAIMS FUNDS
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2003

	Note	<i>Aegean Sea Major Claims Fund</i>				<i>Braer Major Claims Fund</i>			
		2003		2002		2003		2002	
		£	£	£	£	£	£	£	£
INCOME									
Contributions (Schedule I)									
Adjustment to prior years' assessment	3	(8 392)		-		(8 232)		-	
			(8 392)		-		(8 232)		-
Miscellaneous									
Interest on loans to <i>Osung N°3</i> MCF	6	44 198		48 495		-		-	
Interest on investments	9	669 752		1 578 562		-		26 826	
			713 950		1 627 057		-		26 826
Total income			705 558		1 627 057		(8 232)		26 826
EXPENDITURE (Schedule II)									
Compensation/Indemnification		2 895 274		26 088 477		-		669 610	
Fees		897 279		21 663		5 484		517 737	
Interest on loan from General Fund	4	-		-		4 816		879	
Travel		-		4 352		-		-	
Miscellaneous		(952)		38 563		-		38	
Total expenditure			3 791 601		26 153 055		10 300		1 188 264
(Shortfall)/excess of income over expenditure			(3 086 043)		(24 525 998)		(18 532)		(1 161 438)
Exchange adjustment	11		4 094		4 161		-		-
Balance b/f: 1 January			21 275 306		45 797 143		(53 448)		1 107 990
Balance as at 31 December			18 193 357		21 275 306		(71 980)		(53 448)

STATEMENT IV.2

INCOME AND EXPENDITURE ACCOUNT OF
KEUMDONG N°5, SEA EMPRESS AND NAKHODKA MAJOR CLAIMS FUNDS
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2003

	Note	<i>Keumdong N°5 Major Claims Fund</i>				<i>Sea Empress Major Claims Fund</i>				<i>Nakhodka Major Claims Fund</i>			
		2003		2002		2003		2002		2003		2002	
		£	£	£	£	£	£	£	£	£	£	£	£
INCOME													
Contributions (Schedule I)													
Adjustment to prior years' assessment	3	(2 299)		-		-		-		-		-	
			(2 299)		-		-		-		-		-
Miscellaneous													
Interest on loan to <i>Nissos Amorgos</i> MCF	5	-		-		-		-		48 432		-	
Interest on overdue contributions	8	-		1 366		-		3 708		19 954		4 561	
Less Interest on overdue contributions waived	8	-		-		-		(70)		-		-	
Interest on investments	9	263 177		283 827		450		63 085		508 767		270 797	
Recovery as a result of settlement	7	-		-		20 000 000		-		-		14 632 127	
			263 177		285 193		20 000 450		66 723		577 153		14 907 485
Total income			260 878		285 193		20 000 450		66 723		577 153		14 907 485
EXPENDITURE (Schedule II)													
Compensation/Indemnification		-		433 247		324 172		3 596 244		-		6 283 689	
Fees		2 554		-		1 241 708		489 434		14 076		-	
Interest on loan from General Fund	4	-		-		21 485		-		-		-	
Travel		-		-		-		-		-		-	
Miscellaneous	3			-		182		400		12		8	
Total expenditure			2 557		433 247		1 587 547		4 086 078		14 088		6 283 697
Excess/(shortfall) of income over expenditure			258 321		(148 054)		18 412 903		(4 019 355)		563 065		8 623 788
Exchange adjustment	11		-		-		-		-		(365)		(1 297)
Balance b/f: 1 January			6 814 510		6 962 564		86 184		4 105 539		14 413 356		5 790 865
Balance as at 31 December			7 072 831		6 814 510		18 499 087		86 184		14 976 056		14 413 356

STATEMENT IV.3

INCOME AND EXPENDITURE ACCOUNT OF
THE SEA PRINCE, YEO MYUNG AND YUIL N°1 MAJOR CLAIMS FUNDS
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2003

	Note	<i>Sea Prince Major Claims Fund</i>				<i>Yeo Myung Major Claims Fund</i>				<i>Yuil N°1 Major Claims Fund</i>			
		2003		2002		2003		2002		2002		2002	
		£	£	£	£	£	£	£	£	£	£	£	£
INCOME													
Contributions (Schedule I)													
Adjustment to prior years' assessment	3	(3 902)		-		(453)		-		(2 697)		-	
			(3 902)		-		(453)		-		(2 697)		-
Miscellaneous													
Interest on overdue contributions	8	259		1 881		-		247		297		1 468	
Interest on investments	9	399 324		392 647		139 987		141 906		200 352		226 476	
Interest on Court Deposit		24 228		-		-		-		-		-	
Refund of Court Deposit	11	1 112 894		-		-		-		-		-	
			1 536 705		394 528		139 987		142 153		200 649		227 944
Total income			1 532 803		394 528		139 534		142 153		197 952		227 944
EXPENDITURE (Schedule II)													
Compensation/Indemnification		9 324		51 818		-		-		567 455		175 601	
Fees		55 733		171 545		-		-		128 834		10 443	
Travel		-		3 548		199		-		-		3 548	
Miscellaneous		22		1 112 938		-		-		19		6	
Total expenditure			65 079		1 339 849		199		-		696 308		189 598
Excess/(shortfall) of income over expenditure			1 467 724		(945 321)		139 335		142 153		(498 356)		38 346
Exchange adjustment	11		(76 677)		-		-		-		-		-
Balance b/f: 1 January			9 783 210		10 728 531		3 618 948		3 476 795		5 634 008		5 595 662
Balance as at 31 December			11 174 257		9 783 210		3 758 283		3 618 948		5 135 652		5 634 008

STATEMENT IV.4

INCOME AND EXPENDITURE ACCOUNT OF
THE NISSOS AMORGOS AND OSUNG N°3 MAJOR CLAIMS FUNDS
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2003

	Note	<i>Nissos Amorgos Major Claims Fund</i>				<i>Osung N°3 Major Claims Fund</i>			
		2003		2002		2003		2002	
		£	£	£	£	£	£	£	£
INCOME									
Contributions (Schedule I)									
Adjustment to prior years' assessment		-		-		-		-	
			-		-		-		-
Miscellaneous									
Interest on overdue contributions	8	745		180		3 218		2 015	
Interest on investments	9	-		-		-		-	
			745		180		3 218		2 015
Total income			745		180		3 218		2 015
EXPENDITURE (Schedule II)									
Compensation/Indemnification		3 686 244		861 953		-		-	
Fees		40 336		58 006		-		-	
Interest on loan from <i>Aegean Sea</i> MCF	6	-		-		44 198		48 495	
Interest on loan from General Fund	4	13 303		12 402		-		-	
Interest on loan from <i>Nakhodka</i> MCF	5	48 432		-		-		-	
Travel		-		5 320		-		-	
Miscellaneous		266		83		-		-	
Total expenditure			3 788 581		937 764		44 198		48 495
(Shortfall)/excess of income over expenditure			(3 787 836)		(937 584)		(40 980)		(46 480)
Exchange adjustment	11		(23)		-		-		-
Balance b/f: 1 January			(333 299)		604 285		(1 513 153)		(1 466 673)
Balance as at 31 December			(4 121 158)		(333 299)		(1 554 133)		(1 513 153)

STATEMENT V

BALANCE SHEET OF THE 1971 FUND AS AT 31 DECEMBER 2003

	Note	2003	2002
ASSETS		£	£
Cash at banks and in hand	12	75 867 272	63 299 787
Contributions outstanding	13	781 543	895 637
Interest on overdue contributions	8	60 653	57 691
Due from <i>Vistabella</i> MCF	4	515 835	490 762
Due from <i>Pontoon 300</i> MCF	4	498 809	413 076
Due from <i>Nissos Amorgos</i> MCF to General Fund and <i>Nakhodka</i> MCF	4/5	4 121 158	333 299
Due from <i>Braer</i> MCF	4	71 980	53 448
Due from <i>Osung N°3</i> MCF to <i>Aegean Sea</i> MCF	6	1 554 133	1 513 153
Due from 1992 Fund		-	48 072
Tax recoverable	14	81 887	36 765
Miscellaneous receivable	15	20 237	139 890
TOTAL ASSETS		83 573 507	67 281 580
LIABILITIES			
Accounts payable		168	1 641
Contributors' account	16	133 416	145 476
Due to 1992 Fund	17	116 525	-
Due to <i>Aegean Sea</i> MCF		18 193 357	21 275 306
Due to <i>Keumdong N°5</i> MCF		7 072 831	6 814 510
Due to <i>Sea Empress</i> MCF		18 499 087	86 184
Due to <i>Nakhodka</i> MCF		14 976 056	14 413 356
Due to <i>Sea Prince</i> MCF		11 174 257	9 783 210
Due to <i>Yeo Myung</i> MCF		3 758 283	3 618 948
Due to <i>Yuil N°1</i> MCF		5 135 652	5 634 008
TOTAL LIABILITIES		79 059 632	61 772 639
GENERAL FUND BALANCE	18	4 513 875	5 508 941
TOTAL LIABILITIES AND GENERAL FUND BALANCE		83 573 507	67 281 580

STATEMENT VI

CASH FLOW STATEMENT OF THE 1971 FUND

FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2003

	2003		2002	
	£	£	£	£
Cash as at 1 January		63 299 787		88 126 932
OPERATING ACTIVITIES				
Operating Surplus	9 960 560		(27 238 529)	
Decrease/(Increase) in Debtors	233 735		(104 231)	
Increase/(Decrease) in Creditors	98 118		(683 169)	
Net cash flow from operating activities		10 292 413		(28 025 929)
RETURNS ON INVESTMENTS				
Interest on investments	2 275 072		3 198 784	
Net cash inflow from returns on investments		2 275 072		3 198 784
Cash as at 31 December		75 867 272		63 299 787

NOTES TO FINANCIAL STATEMENTS

1 Significant Accounting Policies

In accordance with the 1971 Fund's Financial Regulation 12.3(b) and in compliance with United Nations accounting standards where appropriate, the principal accounting policies followed in arriving at the financial information given in the respective statements are set out below.

(a) Rules and procedures

The financial statements are prepared in accordance with the Financial Regulations of the 1971 Fund, and in compliance with the provisions of the 1971 Fund Convention and the Internal Regulations of the 1971 Fund.

(b) Basis of preparation

The accounts are prepared on the basis of a General Fund and Major Claims Funds, as laid down in Financial Regulation 7.

The financial period is the calendar year.

Under the original text of the 1971 Fund Convention (Article 43.1) the Convention would cease to be in force when the number of Contracting States fell below three. It was unlikely that this would happen in the foreseeable future. For this reason a Protocol was adopted in September 2000 (2000 Protocol) to amend Article 43.1. Under the amended text the 1971 Fund Convention would cease to be in force on the date on which the number of 1971 Fund Members fell below 25 or 12 months following the date on which the governing body of the 1971 Fund noted that the total quantity of contributing oil received in the remaining Member States fell below 100 million tonnes, whichever was the earlier. The 1971 Fund Convention ceased to be in force on 24 May 2002 as a result of the denunciation of the 1971 Fund Convention by the United Arab Emirates, bringing the total number of 1971 Fund Member States below 25.

The Financial Statements have been prepared on the basis that the 1971 Fund's operations will continue for several years, to enable the 1971 Fund to satisfy pending compensation claims arising from incidents which occurred prior to when the 1971 Fund Convention ceased to be in force. All existing liabilities for the past incidents are covered by current investments and cash holdings or the reasonable expectation that the contributors in the Member States at the time of the incident will continue to pay contributions so as to enable the 1971 Fund to satisfy compensation claims. At its October 2000 session the governing body of the 1971 Fund authorised the Director to purchase insurance covering any liabilities of the 1971 Fund for compensation and indemnification up to 60 million Special Drawing Rights (SDRs) per incident minus the amount actually paid by the shipowner or his insurer under the 1969 Civil Liability Convention, as well as legal and other expert fees, with the 1971 Fund having to cover a deductible of 250 000 SDRs for each incident. The premium for this insurance was paid as claims expenditure during the 2000 and 2001 financial years and covered the period from 25 October 2000 to 24 May 2002.

(c) Accounting convention

The accounts are prepared under the historical cost convention, modified to the extent that the cost of all property acquired is immediately charged as an expense, in accordance with Financial Regulation 11.4.

(d) Administrative expenditure

Expenditure comprises payments and unliquidated obligations incurred in respect of the current budget year.

Obligations are recorded on the basis of contracts, purchase orders, agreements or other forms of legal undertaking.

Unliquidated obligations are obligations or that part of obligations which are not yet paid. In accordance with Financial Regulation 6.4, appropriations for unliquidated obligations remain available to discharge legal obligations for 24 months following the end of the financial period to which they relate.

The amounts are net of Value Added Tax.

(e) Expenditure arising out of incidents

Expenditure arising out of incidents is charged in the year of payment. There is no specific appropriation to meet any settlement of claims.

As regards any incident occurring before 25 October 2000 expenditure up to 1 million SDRs were charged to the General Fund in accordance with Financial Regulation 7.1(c)(i), and expenses over that amount to the Major Claims Fund constituted for the incident in question in accordance with Financial Regulation 7.2(d). For incidents occurring after that date up to 24 May 2002 when the 1971 Fund Convention ceased to be in force, expenditure is covered by the insurance policy taken out by the 1971 Fund subject to a deductible of 250 000 SDR which is payable from the General Fund (cf Note1(b)).

A report on expenditure arising out of incidents is provided in **Schedule II**.

(f) Contingent liabilities

In accordance with Financial Regulation 12.3(b), details of contingent liabilities are given in **Schedule III**. Estimates of contingent liabilities include all known or likely claims against the 1971 Fund. All these claims may not necessarily mature. In the case of fees, these are calculated for the coming year only, due to the difficulties of predicting the length and cost of legal proceedings or of negotiations for reaching out-of-court settlements. Those liabilities which mature will, under the 1971 Fund Convention, be met from contributions levied by the governing bodies.

(g) Income

Income is based on firm revenues due in the financial period and either received or receivable in this period.

Income from contributions is included only after the contributions are invoiced on the basis of figures on contributing oil receipts reported by Member States. Interest on

overdue contributions is included only in the year in which the overdue annual contribution is actually paid.

Investment income is based only on interest received from investments maturing during the financial period.

A report on contributions is provided in **Schedule I**.

(h) Investments

Investments of the 1971 Fund's assets include the assets of the Contributors' Account, which are merged with the 1971 Fund's assets for investment purposes, in order to obtain the best interest rates which only the substantial amounts held by the 1971 Fund can attract.

During 2003 a minor part of the investments held were in a currency other than Pounds sterling, namely in respect of the *Aegean Sea* Major Claims Fund. The interest earned on these investments has been credited directly to that Major Claims Fund.

(i) Loans between funds

Financial Regulations 7.1(c)(iv) and 7.2(d), respectively, provide that loans can be made from the General Fund to a Major Claims Fund and from a Major Claims Fund to the General Fund or to another Major Claims Fund. Such loans shall be reimbursed with interest, in accordance with Financial Regulations 7.1(a)(v) and 7.2(b)(iii).

Interest on any loan made under these provisions is calculated at the rate of interest applicable during the relevant period, based on the opportunity cost of any investment that was foregone because of the loan. Where, however, loans are taken frequently over several months, the interest is calculated at a preferential rate above the lowest London clearing bank base rate.

(j) Translation of currencies

The majority of the 1971 Fund's assets and liabilities at the end of the 2003 financial period were held in Pounds sterling. Gains and losses arising from foreign currency exchange transactions during the relevant accounting period are treated as normal items of operation. In relation to Major Claims Funds if currencies were bought for Pounds sterling and invested in accordance with Financial Regulation 10.4(a) any gains or losses at the end of the financial year arising from holding these currencies are credited or debited to the respective Major Claims Funds.

For the translation of currencies, the rate applied is the rate of exchange for the Pound sterling against various currencies on 31 December 2003 as published in the London Financial Times.

Payments made in foreign currencies are converted into sterling at the rate of exchange obtained from the bank on the date of the transaction. Payments made from foreign currency bought for sterling and invested have been converted at the rate at which the currency was purchased, on a first in first out basis.

2 Revised budget appropriations

Excess expenditure resulting in revised budget appropriations and met by budgetary transfers as provided in Financial Regulation 6.3 is notified to the Administrative Council in the Director's Comments on Financial Statement I. Within the authority of Financial Regulation 6.3 three transfers were made within Chapters, namely:

<i>Chapter</i>	<i>Transfer from appropriation</i>	<i>Transfer to appropriation</i>	<i>Amount £</i>
I	Salaries	Separation and recruitment	5 623
II	Other Supplies and services	Hospitality	358
V	Consultants' fees	Audit Body	6 076

There was one transfer between Chapters as authorised by the Administrative Council (document 71FUND/AC.12/22, paragraph 18 and 92FUND/A.8/30, paragraph 23).

<i>Chapter</i>	<i>Transfer from appropriation</i>	<i>Chapter</i>	<i>Transfer to appropriation</i>	<i>Amount £</i>
I	Salaries	V	Audit Body	15 939

3 Adjustments to prior years' assessments

Contributions previously levied and due from Benin have been credited on the basis of revised oil reports on contributing oil receipts in previous years as set out below:

	£
General Fund	(5 056)
<i>Aegean Sea</i> Major Claims Fund	(8 392)
<i>Braer</i> Major Claims Fund	(8 232)
<i>Keumdong N°5</i> Major Claims Fund	(2 299)
<i>SeaPrince</i> Major Claims Fund	(3 902)
<i>Yeo Myung</i> Major Claims Fund	(453)
<i>Yuil N°1</i> Major Claims Fund	<u>(2 697)</u>
	<u>(31 031)</u>

4 Due from Major Claims Funds

In accordance with Note 1(i) above interest is charged for loans made from the General Fund to a Major Claims Fund or from a Major Claims Fund to the General Fund or to another Major Claims Fund. The position in respect of such loans and interest charged on such loans is summarised below.

The General Fund provided loans to the *Vistabella*, *Pontoon 300*, *Braer*, *Nissos Amorgos* and *Sea Empress* Major Claims Funds. The *Aegean Sea* Major Claims Fund provided loans to the *Osung N°3* Major Claims Fund and the *Nakhodka* Major Claims Fund provided loans to the *Nissos Amorgos* Major Claims Fund.

Major Claims Fund (MCF)	Loan taken since Financial Year	Loan b/f 01.01.03 £	Loans made in 2003 £	Interest b/f 01.01.03 £	Interest in 2003 £	Total loans and interest at 31.12.03 £	Less: Outstanding Income <1> £	Due from MCF £
<i>Vistabella</i> <2>	1994	329 814	11 903	160 948	13 170	515 835	-	515 835
<i>Pontoon 300</i> <2>	2000	380 881	69 211	32 195	16 522	498 809	-	498 809
<i>Nissos Amorgos</i>	2002	326 682	16 809	12 402	13 303	369 196	3 906	365 290
<i>Braer</i>	2002	121 031	5 485	879	4 816	132 211	60 231	71 980
<i>Sea Empress</i> <3>	2003	-	1 460 925	-	21 485	-	-	-

<1> Outstanding contributions, interest on contributions and adjustment for exchange difference, if applicable.

<2> Major Claims Fund has not been opened as of 31 December 2003.

<3> Loan repaid following settlement of recourse action (cf Note 7).

5 Due from the *Nissos Amorgos* Major Claims Fund to the *Nakhodka* Major Claims Fund

The loans taken by the *Nissos Amorgos* Major Claims Fund from the *Nakhodka* Major Claims Funds amount to £3 707 436 and the interest on these loans amount to £48 432, giving a total of £3 755 868.

6 Due from the *Osung N°3* Major Claims Fund to the *Aegean Sea* Major Claims Fund

An amount of £ 1 554 133 is due by the *Osung N°3* Major Claims Fund to the *Aegean Sea* Major Claims Fund which includes loans and interest on the loans. No loans were taken in 2003. Interest charged in 2003 was £44 198.

7 *Sea Empress* incident - settlement of recourse action

At its October 2003 session the Administrative Council approved in relation to the *Sea Empress* incident a settlement of a recourse action taken by the 1971 Fund against the Milford Haven Port Authority (MHPA) under which the MHPA's insurer would pay the 1971 Fund £20 million in full and final settlement. The 1971 Fund received the amount in December 2003.

8 Interest on overdue contributions

Interest is charged at 2% above the lowest London clearing bank base rate on unpaid annual contributions from the date on which payment is due, in accordance with Article 13.1 of the 1971 Fund Convention and Internal Regulation 3.10. There is no provision in the 1971 Fund Convention for charging interest on overdue initial contributions.

Interest totalling £21 was waived in 2003 in respect one contributor. Since 1989 the oil reports for this particular contributor has been nil.

A total amount of £60 653 of interest on overdue contributions was due as at 31 December 2003 which is made up as follows:

	£
General Fund	6 653
<i>Aegean Sea</i> Major Claims Fund	1 373
<i>Braer</i> Major Claims Fund	2 299
<i>Keumdong N°5</i> Major Claims Fund	1 881
<i>Sea Empress</i> Major Claims Fund	2 542
<i>Nakhodka</i> Major Claims Fund	34 714
<i>Sea Prince</i> Major Claims Fund	2 270
<i>Yeo Myung</i> Major Claims Fund	311
<i>Yuil N°1</i> Major Claims Fund	1 728
<i>Nissos Amorgos</i> Major Claims Fund	1 674
<i>Osung N°3</i> Major Claims Fund	<u>5 208</u>
	<u>60 653</u>

9 **Interest on investments**

As at 31 December 2003 the 1971 Fund's portfolio of investments comprised of the 1971 Fund's term and bank deposits (the General Fund, the Contributors' Account and the *Aegean Sea*, *Keumdong N°5*, *Sea Prince*, *Yeo Myung*, *Yuil N°1*, *Sea Empress* and *Nakhodka* Major Claims Funds) totalling £75 867 272. In relation to the *Aegean Sea* Major Claims Fund a small amount was held in Euro, and this amount is included in the sum of £75 867 272. The distribution of the deposits is set out in Note 12.

Interest due in 2003 on the investments amounted to £2 275 072. This amount is distributed as follows:

	£
General Fund	88 389
Contributors' Account	4 874
<i>Aegean Sea</i> Major Claims Fund	669 752
<i>Keumdong N°5</i> Major Claims Fund	263 177
<i>Sea Empress</i> Major Claims Fund	450
<i>Nakhodka</i> Major Claims Fund	508 767
<i>Sea Prince</i> Major Claims Fund	399 324
<i>Yeo Myung</i> Major Claims Fund	139 987
<i>Yuil N°1</i> Major Claims Fund	<u>200 352</u>
	<u>2 275 072</u>

10 **Obligations incurred**

The figure of £533 140 is the 1971 Fund's share of running the joint Secretariat (see Statement I).

In accordance with the 1971 and the 1992 Fund governing bodies' decisions, the cost of running the joint Secretariat for the period 1 January - 31 December 2003 has been distributed with 20% paid by the 1971 Fund and 80% by the 1992 Fund (documents 71FUND/AC.9/20, paragraph 17 and 92FUND/A.7/29, paragraph 24); this distribution has not been applied to certain items in respect of which it was possible to make a distribution based on the actual costs incurred by each Organisation. The exceptions from the 20:80 apportionment are as follows. The appropriation for Public information (Chapter II) has been split 20:80 except for costs related to producing Spanish publications which have been borne only by the 1992 Fund, as Spanish is an official language of the 1992 Fund only. The appropriation for Meetings (Chapter III) has been distributed on the basis of the duration of the meetings of the 1971 and the 1992 Funds. Translation and interpretation costs with respect to Spanish in connection with

meetings have been borne only by the 1992 Fund. The appropriations for the Audit Body and the Investment Advisory Body (Chapter V) have been apportioned equally between the 1971 Fund and the 1992 Fund. The cost for External Audit (Chapter V) has been charged separately for each Fund.

11 Exchange adjustment

In accordance with Note 1(j) above, small amounts of Japanese yen and Euro were held during 2003 with respect to the *Nakhodka* Major Claims Fund and the *Aegean Sea* Major Claims Fund respectively. There was a net gain during 2003 arising from currency exchange transactions during the accounting period of £3 729 from currency revaluation of Euros and from the sale of Japanese yen on the closure of the Japanese yen account held in Tokyo. In the case of the *Sea Prince* Major Claims Fund the sale of an amount of KW2 060 million received by means of a refund of a deposit with a Korean court resulted in an exchange loss of £76 677. Any gain or loss on the funds held by respective Major Claims Fund have been credited or debited to that Fund.

12 Assets

Cash at banks and in hand

The amount of £75 867 272 includes a balance of £133 416 on the Contributors' Account, and was held in various financial institutions and accounts as follows:

<u>Time deposit accounts</u>	£	£
<u>Pounds Sterling</u>		
Alliance & Leicester plc	9 750 000	
Bank of Ireland	6 500 000	
Barclays Bank plc	500 000	
Depfa Bank plc	9 000 000	
Dexia Banque à Luxembourg	8 100 000	
Landesbank Berlin	11 000 000	
National Australia Bank	5 000 000	
Nationwide Building Society	9 250 000	
Nordea	1 000 000	
Norddeutsche Landesbank	3 000 000	
Svenska Handelsbanken	3 000 000	
UniCredito Italiano SpA	<u>4 250 000</u>	
		70 350 000
<u>Current and call deposit accounts</u>		
Bank of Scotland	5 353 827	
Barclays Bank plc - £ Business Premium/ Current a/cs	158 634	
Barclays Bank plc - €/a/c	2 338	
The Bank of Tokyo-Mitsubishi Ltd - £ Current a/c	<u>2 473</u>	
		<u>5 517 272</u>
		<u><u>75 867 272</u></u>

13 Contributions outstanding

Outstanding contributions due to the 1971 Fund as at 31 December 2003 totalled £781 543. A report on contributions outstanding for previous years is provided in Schedule I.

Contributions outstanding for the General Fund and the various Major Claims Fund are as follows:

	£
General Fund	380 314
<i>Aegean Sea</i> Major Claims Fund	82 254
<i>Braer</i> Major Claims Fund	57 932
<i>Keumdong N°5</i> Major Claims Fund	17 160
<i>Sea Empress</i> Major Claims Fund	14 688
<i>Nakhodka</i> Major Claims Fund	116 290
<i>Sea Prince</i> Major Claims Fund	43 269
<i>Yeo Myung</i> Major Claims Fund	5 651
<i>Yuil N°1</i> Major Claims Fund	33 643
<i>Nissos Amorgos</i> Major Claims Fund	2 255
<i>Osung</i> Major Claims Fund	<u>28 087</u>
	<u>£781 543</u>

14 **Tax recoverable**

The amount of £81 887 comprises VAT of £81 717 and Airport Departure Tax of £170 to be refunded to the 1971 Fund by the United Kingdom Government.

15 **Miscellaneous receivable**

As indicated in Note 1 (b) the 1971 Fund took out insurance to cover the costs resulting from any incidents occurring during the period 25 October 2000 - 24 May 2002, when the 1971 Fund Convention ceased to be in force, in excess of a deductible of 250 000 SDRs per incident. Two incidents are covered under this insurance policy, namely the *Zeinab* and *Singapura Timur* incidents. With respect to the *Zeinab* and *Singapura Timur* incidents payments made by the 1971 Fund during 2003 exceeded the 250 000 SDRs deductible. An amount of £20 237 is due from the insurer for these incidents as at 31 December 2003.

16 **Contributors' account**

The amount of £133 416 is the balance on the Contributors' account after the deduction of amounts repaid to contributors or offset against annual contributions. The amount includes interest of £4 874 as provided in Internal Regulation 3.11.

17 **Payment due to the 1992 Fund**

As at 31 December 2003, an amount of £116 525 was due from the 1971 Fund to the 1992 Fund made up as follows:

	£
1971 Fund's share of joint Secretariat's expenses for 2003	533 140
Less: 1971 Fund expenses paid directly by the 1971 Fund	(20 000)
Less: 1992/1971 inter fund account balance as at 31.12 2003	<u>(396 615)</u>
	<u>116 525</u>

As at 31 December 2003 the inter fund account shows a balance in favour of the 1971 Fund. This is mainly due to the fact that claims expenditures for the *Al Jaziah 1* and the *Zeinab* incidents which involve both Funds were originally paid for by the 1971 Fund and then 50% charged to the 1992 Fund.

The amount of £48 072 due to the 1971 Fund by the 1992 Fund for the financial year 2002 was paid by the 1992 Fund on 12 August 2003.

18 **General Fund balance**

The figure of £4 513 875 represents the excess of Income over Expenditure in respect of the General Fund over the years.

The General Fund balance is lower than the working capital, which at 31 December 2003 was £5 million, as decided by the Administrative Council.

* * *

SCHEDULE I

REPORT ON CONTRIBUTIONS DURING THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2003 AND ON CONTRIBUTIONS OUTSTANDING FOR PREVIOUS FINANCIAL PERIODS

- 1 The General Fund covers the 1971 Fund's expenses for the administration of the 1971 Fund Secretariat and for claims expenditure for incidents involving the 1971 Fund to the extent that the aggregate amount payable by the 1971 Fund for each incident does not exceed the Pounds sterling equivalent of 1 million SDRs per incident converted at the rate applicable on the date of the incident.

For an incident which gives rise to payments by the 1971 Fund in excess of 1 million SDRs, a Major Claims Fund is established to cover such payments.

Annual contributions to the General Fund have to be paid by any person who received more than 150 000 tonnes of contributing oil (crude and heavy fuel oil) within the territory of a Member State of the 1971 Fund after sea transport in the preceding calendar year. Contributions to Major Claims Funds are levied on the basis of the quantities of contributing oil received in the year preceding that in which the incident occurred, if the State was a Member of the 1971 Fund at the time of the incident. In the case of associated persons (ie commonly controlled entities), the aggregate quantities received are taken into account for the purpose of establishing whether the figure of 150 000 tonnes is reached.

- 2 A comprehensive report on the payment of contributions as at 26 September 2003 was submitted to the Administrative Council at its 12th session (document 71FUND/AC.12/8).
- 3 The report contained in this schedule is a comprehensive up-date of the earlier reports. No levies were made for 2000 contributions, 2001 contributions and 2002 contributions. The outstanding balances of contributions as at 31 December 2003 can be summarised as follows:

State	CONTRIBUTION YEAR									Total £
	1989-1991 £	1992 £	1993 £	1994 £	1995 £	1996 £	1997 £	1998 £	1999 £	
Germany						2 152.92	4 634.90	1 250.94	907.18	8 945.94
Ghana								4 041.43	1 237.93	5 279.36
Greece				2 262.85	13 296.51	9 404.56	78.62			25 042.54
Indonesia								86 451.04	22 049.11	108 500.15
Kenya				3 450.23	14 919.10	12 622.88	4 306.17	1 366.93	816.56	37 481.87
Kuwait			17 696.06	13 266.29						30 962.35
Nigeria	34 599.66	13 672.28	65 429.54	28 693.02	28 553.09	29 447.30	19 913.51	4 612.94	689.20	225 610.54
Russian Federation			19 862.98	7 296.99	15 465.30	21 760.44	7 689.52	3 114.52	405.44	75 595.19
United Kingdom				1 556.17	2 067.52					3 623.69
USSR	133 207.80									133 207.80
Yugoslavia	88 246.00	39 047.40								127 293.40
	256 053.46	52 719.68	102 988.58	56 525.55	74 301.52	75 388.10	36 622.72	100 837.80	26 105.42	781 542.83

**ANNUAL CONTRIBUTIONS OUTSTANDING FOR
PREVIOUS FINANCIAL PERIODS AS AT 31 DECEMBER 2003**

State		Assessment £	Receipt £	Outstanding £
Germany	General Fund 1998	31 214.54	31 043.93	170.61
	<i>Nakhodka</i> Major Claims Fund 1996/1997/1998/1999	1 593 453.84	1 586 018.70	7 435.14
	<i>Nissos Amorgos</i> Major Claims Fund 1997	56 546.86	56 258.14	288.72
	<i>Osung N°3</i> Major Claims Fund 1997/1999	205 935.30	204 883.83	1 051.47
		1 887 150.54	1 878 204.60	8 945.94
Ghana	<i>Nakhodka</i> Major Claims Fund 1998	4 041.43	0.00	4 041.43
	<i>Osung N°3</i> Major Claims Fund 1999	2 853.40	1 615.47	1 237.93
		6 894.83	1 615.47	5 279.36
Greece	General Fund 1994	88 923.58	86 660.73	2 262.85
	General Fund 1995	87 843.28	85 423.12	2 420.16
	<i>Toyotaka Maru</i> Major Claims Fund	132 324.25	130 710.53	1 613.72
	<i>Sea Prince/Yeo Myung/Yuil N°1</i> Major Claims Fund 1995/1996 1st & 2nd levy/1997	676 515.55	658 977.91	17 537.64
	<i>Senyo Maru</i> Major Claims Fund	43 852.34	42 644.17	1 208.17
		1 029 459.00	1 004 416.46	25 042.54
Indonesia	General Fund 1998	29 738.52	0.00	29 738.52
	<i>Nakhodka</i> Major Claims Fund 1998	56 712.52	0.00	56 712.52
	<i>Osung N°3</i> Major Claims Fund 1999	40 041.15	17 992.04	22 049.11
		126 492.19	17 992.04	108 500.15
Kenya	General Fund 1994	11 473.61	8 023.38	3 450.23
	General Fund 1995	10 733.18	7 854.62	2 878.56
	General Fund 1998	4 200.76	3 806.25	394.51
	<i>Toyotaka Maru</i> Major Claims Fund	17 073.51	14 613.03	2 460.48
	<i>Sea Prince/Yeo Myung/Yuil N°1</i> Major Claims Fund 1995/1996 1st & 2nd levy/1997	82 660.41	61 800.97	20 859.44
	<i>Senyo Maru</i> Major Claims Fund	5 358.14	3 921.13	1 437.01
	<i>Nakhodka</i> Major Claims Fund 1996/1997/1998/1999	68 625.19	63 829.87	4 795.32
	<i>Nissos Amorgos</i> Major Claims Fund 1997	2 565.17	2 305.29	259.88
	<i>Osung N°3</i> Major Claims Fund 1997/1999	9 341.97	8 395.53	946.44
		212 031.94	174 550.07	37 481.87
	Kuwait	<i>Aegean Sea</i> Major Claims Fund 1993/1994	30 962.35	0.00
Nigeria	General Fund 1989	2 033.79	0.00	2 033.79
	General Fund 1990	475.84	0.00	475.84
	General Fund 1991	6 437.67	0.00	6 437.67
	General Fund 1993	5 453.09	0.00	5 453.09
	General Fund 1995	3 778.89	0.00	3 778.89
	<i>Haven</i> Major Claims Fund 1991/1992	32 058.93	0.00	32 058.93
	<i>Rio Orinoco</i> Major Claims Fund	6 339.35	0.00	6 339.35
	<i>Volgoneft 263</i> Major Claims Fund	926.36	0.00	926.36
	<i>Braer</i> Major Claims Fund 1993/1995	36 035.71	0.00	36 035.71
	<i>Aegean Sea</i> Major Claims Fund 1993/1994	51 291.35	0.00	51 291.35
	<i>Taiko Maru</i> Major Claims Fund	1 588.41	0.00	1 588.41
	<i>Keundong N°5</i> Major Claims Fund 1993/1994	10 065.31	0.00	10 065.31
	<i>Sea Prince/Yeo Myung/Yuil N°1</i> Major Claims Fund 1995/1996 1st & 2nd levy	27 260.93	0.00	27 260.93
	<i>Senyo Maru</i> Major Claims Fund	1 886.46	0.00	1 886.46
	<i>Sea Empress</i> Major Claims Fund 1996 1st levy & 2nd levy	5 569.95	0.00	5 569.95
	<i>Nakhodka</i> Major Claims Fund 1996/1997/1998	32 364.34	1 110.66	31 253.68
	<i>Nissos Amorgos</i> Major Claims Fund 1997	1 232.81	0.00	1 232.81
	<i>Osung N°3</i> Major Claims Fund 1997/1999	4 489.72	2 567.71	1 922.01
		229 288.91	3 678.37	225 610.54

State		Assessment £	Receipt £	Outstanding £
Russian Federation	General Fund 1993	3 000.60	1 534.92	1 465.68
	General Fund 1994	2 102.12	0.00	2 102.12
	General Fund 1995	2 343.39	1 520.76	822.63
	General Fund 1998	1 339.95	0.00	1 339.95
	<i>Taiko Maru</i> Major Claims Fund	3 685.48	1 285.94	2 399.54
	<i>Keumdong N°5</i> Major Claims Fund 1993/1994	5 538.51	0.00	5 538.51
	<i>Braer</i> Major Claims Fund 1993/1995	19 828.90	0.00	19 828.90
	<i>Toyotaka Maru</i> Major Claims Fund	3 128.10	1 629.01	1 499.09
	<i>Sea Prince/Yeo Myung/Yuil N°1</i> Major Claims Fund 1995/1996 1st & 2nd levy	16 905.19	0.00	16 905.19
	<i>Senyo Maru</i> Major Claims Fund	1 169.84	0.00	1 169.84
	<i>Sea Empress</i> Major Claims Fund 1996 1st levy & 2nd levy	9 117.77	0.00	9 117.77
	<i>Nakhodka</i> Major Claims Fund 1996/1997/1998	12 450.37	398.36	12 052.01
	<i>Nissos Amorgos</i> Major Claims Fund 1997	474.26	0.00	474.26
	<i>Osung N°3</i> Major Claims Fund 1997/1999	1 727.17	847.47	879.70
		82 811.65	7 216.46	75 595.19
United Kingdom <1>	<i>Keumdong N°5</i> Major Claims Fund 1994	30 655.07	29 098.90	1 556.17
	<i>Braer</i> Major Claims Fund 1995	47 062.55	44 995.03	2 067.52
		77 717.62	74 093.93	3 623.69
Union of Soviet Socialist Republics	General Fund 1991	48 799.35	41 094.20	7 705.15
	<i>Rio Orinoco</i> Major Claims Fund	85 649.43	28 385.38	57 264.05
	<i>Haven</i> Major Claims Fund 1991	146 398.02	78 159.42	68 238.60
		280 846.80	147 639.00	133 207.80
Yugoslavia	General Fund 1991	48 038.06	30 933.84	17 104.22
	<i>Rio Orinoco</i> Major Claims Fund	64 590.16	30 111.52	34 478.64
	<i>Haven</i> Major Claims Fund 1991/1992	179 475.99	107 451.03	72 024.96
	<i>Volgoneft</i> Major Claims Fund 263	3 685.58	0.00	3 685.58
		295 789.79	168 496.39	127 293.40
Total		4 259 445.62	3 477 902.79	781 542.83

<1> Amounts invoiced include contributions in respect of oil received in Hong Kong - now China Hong Kong Special Administrative Region- which at the time of invoicing was a dependent territory of the United Kingdom.

**ANNUAL CONTRIBUTIONS NOT ASSESSED DUE TO NON-SUBMISSION OF REPORTS ON
CONTRIBUTING OIL RECEIPTS FOR RELEVANT YEAR AS AT 31 DECEMBER 2003**

Albania	General Fund	(1994, 1995, 1996, 1997, 1998)
	Major Claims Funds	(<i>Toyotaka Maru</i> , <i>Sea Prince/Yeo Myung/Yuil N°1</i> (1995, 1996 & 1997), <i>Senyo Maru</i> , <i>Sea Empress</i> (1996), <i>Nakhodka</i> (1996, 1997, 1998 & 1999), <i>Nissos Amorgos</i> , <i>Osung N°3</i> (1997 & 1999))
Bahrain	General Fund	(1998)
Gabon	General Fund	(1989, 1990, 1991, 1993, 1994, 1995, 1996, 1997, 1998)
	Major Claims Funds	(<i>Rio Orinoco</i> , <i>Volgoneft 263</i> , <i>Haven</i> (1991 & 1992), <i>Aegean Sea</i> (1993 & 1994), <i>Braer</i> (1993 & 1995), <i>Taiko Maru</i> , <i>Keumdong N°5</i> (1993 & 1994), <i>Toyotaka Maru</i> , <i>Sea Prince/Yeo Myung/Yuil N°1</i> (1995, 1996 & 1997), <i>Senyo Maru</i> , <i>Sea Empress</i> (1996), <i>Nakhodka</i> (1996, 1997, 1998 & 1999), <i>Nissos Amorgos</i> , <i>Osung N°3</i> (1997 & 1999))
Guyana	General Fund	(1998)
Mauritania	General Fund	(1996, 1997, 1998)
	Major Claims Fund	(<i>Sea Empress</i> (1996), <i>Nakhodka</i> (1996, 1997, 1998 & 1999), <i>Nissos Amorgos</i> , <i>Osung N°3</i> (1997 & 1999))
Nigeria	General Fund	(1987, 1998)
Sierra Leone	General Fund	(1993, 1994, 1995, 1996, 1997, 1998)
	Major Claims Funds	(<i>Toyotaka Maru</i> , <i>Sea Prince/Yeo Myung/Yuil N°1</i> (1995, 1996 & 1997), <i>Senyo Maru</i> , <i>Sea Empress</i> (1996), <i>Nakhodka</i> (1996, 1997, 1998 & 1999), <i>Nissos Amorgos</i> , <i>Osung N°3</i> (1997 & 1999))

**INITIAL CONTRIBUTIONS NOT YET ASSESSED DUE TO NON-SUBMISSION BY 31.12.03 OF REPORTS ON
CONTRIBUTING OIL RECEIPTS FOR RELEVANT YEAR**

Albania	(1994)
Guyana	(1998)
Mauritania	(1996)
Nigeria	(1987)
Panama	(1999)
Sierra Leone	(1993)

SCHEDULE II

REPORT ON PAYMENT OF CLAIMS FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2003

- 3 Financial Regulation 4.6 requires the Director to maintain a running record of all expenses incurred by the 1971 Fund in respect of each incident giving rise to claims against the Fund.
- 4 Expenditure incurred by the 1971 Fund during 2003 in respect of various incidents amounted to £10 727 888 and is made up as follows:

	£
General Fund	616 624
<i>Vistabella</i> Major Claims Fund	25 073
<i>Aegean Sea</i> Major Claims Fund	3 791 601
<i>Braer</i> Major Claims Fund	10 300
<i>Keumdong N°5</i> Major Claims Fund	2 557
<i>Sea Prince</i> Major Claims Fund	65 079
<i>Yeo Myung</i> Major Claims Fund	199
<i>Yuil N°1</i> Major Claims Fund	696 308
<i>Sea Empress</i> Major Claims Fund	1 587 547
<i>Nissos Amorgos</i> Major Claims Fund	3 788 581
<i>Nakhodka</i> Major Claims Fund	14 088
<i>Osung N°3</i> Major Claims Fund	44 198
<i>Pontoon 300</i> Major Claims Fund	<u>85 733</u>
	<u>10 727 888</u>

- 3 With regard to the *Sea Empress* incident the 1971 Fund had taken recourse action against the Milford Haven Port Authority to recover the amounts paid by the Fund in compensation. As a result of an out-of-court settlement the Port Authority's insurers paid the 1971 Fund £20 million in December 2003.
- 4 The expenditure for the *Zeinab* incident is covered by insurance except for a deductible of 250 000 SDR (cf Note 1(b) to the Financial Statements) which is payable by the General Fund. At its July 2002 session the Administrative Council decided that the 250 000 SDR deductible should be converted into Pounds sterling at the rate applicable at the date of the incident resulting in a deductible of £220 325. During 2003 an amount of £81 410 with respect to the *Zeinab* incident was received from the insurer and an amount of £4 785 is due from the insurer (cf Note 15 to the Financial Statements).
- 5 The *Singapura Timur* incident expenditure which is also covered by insurance except for a deductible of 250 000 SDR (cf Note 1(b) to the Financial Statements) is payable by the General Fund and included in the General Fund payments. At its October 2002 session the Administrative Council decided that the 250 000 SDR deductible should be converted into Pounds sterling at the rate applicable at the date of the incident resulting in a deductible of £221 283. During 2003 claims related expenditure with respect to the *Singapura Timur* incident exceeded the deductible by £457 618. An amount of £442 166 was received from the insurer on 11 November 2003 and an amount of £15 452 is due from the insurer (cf Note 15 to the Financial Statements).

- 6 In respect of the *Keumdong N°5* incident an amount of £1 035 000 was deposited in 1999 with the competent court in order to enable the 1971 Fund to appeal against a court judgement. Out of this deposit £240 000 was paid to claimants in 2000. The item 'Other costs' in respect of 1999 includes the amount still held as deposit by the court.
- 7 In relation to the *Sea Prince* Major Claims Fund, under the heading 'Other costs' is a refund of a deposit with the Korean court of £1 112 894 (KW2 060 000 000). The deposit was made in 2002 in order to enable the 1971 Fund to appeal against a court judgement and is shown under item 'Other costs'.
- 8 In general, the position as at 31 December 2003 was as follows:

Incident	Year	Compensation/ Indemnification £	Fees and related costs £	Other costs £	Total £
1 <i>Vistabella</i>	2003	-	11 884	13 189	25 073
	2002	-	3 551	14 377	17 928
	2001	-	2 672	16 506	19 178
	2000	-	2 084	20 160	22 244
	1999	-	-	18 691	18 691
	1998	-	3 294	23 372	26 666
	1997	-	17 789	20 459	38 248
	1996	-	1 151	18 618	19 769
	1995	-	5 018	20 541	25 559
	1994	986 948	4 451	11 407	1 002 806
	1993	-	5 025	-	5 025
	1992	4 509	-	33	4 542
	1991	11 055	8 448	13 696	33 199
Total to date		1 002 512	65 367	191 049	1 258 928
2 <i>Aegean Sea</i>	2003	2 895 274	897 279	(952)	3 791 601
	2002	26 088 477	21 663	42 915	26 153 055
	2001	-	21 981	1 879	23 860
	2000	-	318 002	21 152	339 154
	1999	-	393 788	16 903	410 691
	1998	1 052 359	239 593	10 608	1 302 560
	1997	-	297 031	3 431	300 462
	1996	356 613	698 706	7 549	1 062 868
	1995	2 028 253	524 630	17 184	2 570 067
	1994	1 741 542	436 190	7 487	2 185 219
	1993	-	170 819	13 054	183 873
	1992	-	-	2 259	2 259
	Total to date		34 162 518	4 019 682	143 469

Incident	Year	Compensation/ Indemnification £	Fees and related costs £	Other costs £	Total £	
3 Braer	2003	-	5 484	4 816	10 300	
	2002	669 610	517 737	917	1 188 264	
	2001	3 615 764	75 917	2 782	3 694 463	
	2000	2 022 068	94 666	3 371	2 120 105	
	1999	-	588 421	9 656	598 077	
	1998	(3 697)	245 149	8 344	249 796	
	1997	-	241 379	12 013	253 392	
	1996	(1 454)	570 150	71 043	639 739	
	1995	6 461 809	625 796	335 103	7 422 708	
	1994	20 451 175	1 119 505	73 345	21 644 025	
	1993	13 732 446	650 584	259 796	14 642 826	
	Total to date		46 947 721	4 734 788	781 186	52 463 695
	4 Keumdong N*5	2003	-	2 554	3	2 557
2002		433 247	-	-	433 247	
2001		112 226	34 509	14	146 749	
2000		48 953	150 150	15	199 118	
1999		653 380	58 964	796 490	1 508 834	
1998		-	101 513	49	101 562	
1997		-	57 437	70	57 507	
1996		5 639 236	133 907	179	5 773 322	
1995		-	208 789	350	209 139	
1994		3 016 459	435 779	16 695	3 468 933	
1993		1 000 667	8 507	291	1 009 465	
Total to date			10 904 168	1 192 109	814 156	12 910 433
5 Iliad		2003	-	11 611	-	11 611
	2002	-	-	-	-	
	2001	-	9 630	-	9 630	
	2000	-	21 200	-	21 200	
	1999	-	-	-	-	
	1998	-	-	-	-	
	1997	-	-	-	-	
	1996	-	-	-	-	
	1995	-	-	-	-	
	1994	-	-	125	125	
Total to date		-	42 441	125	42 566	
6 Sea Prince <i>Refund received from court (see paragraph 7)</i>	2003	9 324	55 733	22	65 079	
	2003			(1 112 894)	(1 112 894)	
	2002	51 818	171 545	1 116 486	1 339 849	
	2001	10 425 463	89 726	9 162	10 524 351	
	2000	10 791	47 649	8 977	67 417	
	1999	188 964	91 141	1 655	281 760	
	1998	4 086 510	562 847	1 968	4 651 325	
	1997	4 315 189	237 500	5 330	4 558 019	
	1996	2 000 000	180 244	230	2 180 474	
	1995	-	128 348	67	128 415	
	Total to date	21 088 059	1 564 733	31 003	22 683 795	

Incident	Year	Compensation/ Indemnification £	Fees and related costs £	Other costs £	Total £
7 Yeo Myung	2003	-	-	199	199
	2002	-	-	-	-
	2001	-	218	-	218
	2000	-	14 485	1	14 486
	1999	49 264	9 157	11	58 432
	1998	147 141	14 536	48	161 725
	1997	317 850	64 557	56	382 463
	1996	432 863	154 689	69	587 621
	1995	87 902	463	71	88 436
	Total to date		1 035 020	258 105	455
8 Yuil N°1	2003	567 455	128 834	19	696 308
	2002	175 601	10 443	3 554	189 598
	2001	-	115 728	7	115 735
	2000	89 648	41 927	5	131 580
	1999	243 456	134 466	2 281	380 203
	1998	6 798 140	233 936	9 895	7 041 971
	1997	41 846	125 840	1 605	169 291
	1996	5 959 273	313 035	8 592	6 280 900
	1995	1 354 804	-	642	1 355 446
	Total to date		15 230 223	1 104 209	26 600
9 Sea Empress (see paragraph 3)	2003	324 172	1 241 708	21 667	1 587 547
	2002	3 596 244	489 434	400	4 086 078
	2001	2 783 984	803 585	1 866	3 589 435
	2000	15 132 300	392 294	1 187	15 525 781
	1999	1 009 915	377 101	3 147	1 390 163
	1998	2 350 654	480 353	3 450	2 834 457
	1997	6 045 226	952 762	18 140	7 016 128
	1996	-	995 505	15 133	1 010 638
	Total to date		31 242 495	5 732 742	64 990
10 Nakhodka	2003	-	14 076	12	14 088
	2002	6 283 689	-	8	6 283 697
	2001	-	-	-	-
	2000	-	9 174	62	9 236
	1999	15 299 385	2 295 875	143 540	17 738 800
	1998	5 463 564	1 424 910	73 375	6 961 849
	1997	22 583 161	2 391 532	189 405	25 164 098
	Total to date		49 629 799	6 135 567	406 402
11 Nissos Amorgos	2003	3 686 244	40 336	62 001	3 788 581
	2002	861 953	58 006	17 805	937 764
	2001	1 681 707	177 227	18 333	1 877 267
	2000	1 450	205 576	18 539	225 565
	1999	16 339	335 245	8 965	360 549
	1998	-	100 189	9 114	109 303
	1997	-	147 391	2 897	150 288
	Total to date		6 247 693	1 063 970	137 654

Incident	Year	Compensation/ Indemnification £	Fees and related costs £	Other costs £	Total £
12 Osung N*3	2003	-	-	44 198	44 198
	2002	-	-	48 495	48 495
	2001	276 759	72 646	63 736	413 141
	2000	1 011 369	113 213	87 094	1 211 676
	1999	1 722 890	369 154	240 255	2 332 299
	1998	5 182 869	432 863	40 796	5 656 528
	1997	-	116 365	4 121	120 486
	Total to date	8 193 887	1 104 241	528 695	9 826 823
13 Katja	2003	-	3 153	29	3 182
	2002	-	1 592	19	1 611
	2001	-	-	-	-
	2000	-	-	-	-
	1999	-	-	718	718
	1998	-	-	663	663
	1997	-	-	729	729
	Total to date	-	4 745	2 158	6 903
14 Evoikos	2003	-	1 748	2	1 750
	2002	-	15 288	44	15 332
	2001	-	16 400	74	16 474
	2000	-	-	-	-
	1999	-	-	62	62
	1998	-	1 318	9	1 327
	Total to date	-	34 754	191	34 945
15 Pontoon 300	2003	-	69 148	16 585	85 733
	2002	10 170	78 271	21 853	110 294
	2001	-	76 503	12 867	89 370
	2000	504 740	56 191	6 121	567 052
	1999	37 411	30 792	179	68 382
	1998	264 887	132 402	271	397 560
	Total to date	817 208	443 307	57 876	1 318 391
16 Kriti Sea	2003	-	5 276	-	5 276
	2002	-	65 930	-	65 930
	2001	-	11 900	-	11 900
	2000	-	50 160	-	50 160
	1999	-	26 990	19	27 009
	Total to date	-	160 256	19	160 275
17 Al Jaziah 1	2003	335 878	14 754	75	350 707
	2002	25 532	7 949	3 833	37 314
	2001	204 756	16 142	47	220 945
	2000	-	23 218	360	23 578
	Total to date	566 166	62 063	4 315	632 544

Incident	Year	Compensation/ Indemnification £	Fees and related costs £	Other costs £	Total £
18 <i>Zeinab</i> <i>Recovery from insurer</i>	2003	77 542	8 614	39	86 195
	2003	(77 542)	(8 614)	(39)	(86 195)
	2002	418 480	8 482	38	427 000
	2002	(218 107)	(2 281)	(12)	(220 400)
	2001	-	13 702	23	13 725
	Total to date	200 373	19 903	49	220 325
19 <i>Singapura Timur</i> <i>Recovery from insurer</i>	2003	538 486	63 650	16 641	618 777
	2003	(440 986)	(8 080)	(8 552)	(457 618)
	2002	-	36 618	21 229	57 847
	2001	-	-	2 277	2 277
	Total to date	97 500	92 188	31 595	221 283
20 <i>Alambra</i>	2003	-	81 872	1 067	82 939
	2002	-	69 646	2 017	71 663
	Total to date	-	151 518	3 084	154 602

SCHEDULE III

DETAILS OF CONTINGENT LIABILITIES OF THE 1971 FUND AS AT 31 DECEMBER 2003

- 1 Contingent liabilities represent all known or likely claims against the 1971 Fund as at 31 December 2003 (cf Note 1(f) to the Financial Statements). The figures are based on information available up to 30 April 2004.
- 2 The 1971 Fund Convention ceased to be in force on the 24 May 2002 and does not apply to any incidents occurring after that date (cf Note 1(b) to the Financial Statements).
- 3 There are contingent liabilities of the 1971 Fund estimated at £95 026 360 with regard to twelve incidents as at 31 December 2003.
- 4 Details of the contingent liabilities, given in rounded figures, are set out below.

	Incident	Date	Contingent liabilities at 31.12.03		
			Compensation/ Indemnificatio n £	Other costs £	Total £
1	<i>Vistabella</i>	7.3.91	0	15 000	15 000
2	<i>Braer</i>	5.1.93	0	10 000	10 000
3	<i>Keumdong N°5</i>	27.9.93	9 000	10 000	19 000
4	<i>Iliad</i>	9.10.93	4 715 000	5 000	4 720 000
5	<i>Yeo Myung</i>	3.8.95	3 000	5 000	8 000
6	<i>Yuil N°1</i>	21.9.95	1 154 000	5 000	1 159 000
7	<i>Kriti Sea</i>	9.8.96	0	15 000	15 000
8	<i>Nissos Amorgos</i>	28.2.97	37 990 360	150 000	38 140 360
9	<i>Katja</i>	7.8.97	0	10 000	10 000
10	<i>Pontoon 300</i>	7.1.98	49 000 000	100 000	49 100 000
11	<i>Al Jaziah 1</i>	24.1.00	0	30 000	30 000
12	<i>Alambra</i>	17.9.00	1 750 000	50 000	1 800 000
TOTAL			94 621 360	405 000	95 026 360

- 5 Of these contingent liabilities, a total of £0.97 million had been liquidated as at 30 April 2004. This amount relates mainly to a payment in respect of compensation paid by the insurer in excess of the limitation amount applicable to the vessel plus indemnification in respect of the *Yuil N°1* incident.
- 6 The estimated expenditure under the item 'Other costs' relates to legal and technical costs for the next financial period, ie for 2004. Considerable amounts in lawyers' and surveyors' fees have been included in the contingent liabilities in respect of the *Nissos Amorgos* and

Pontoon 300 incidents. The amounts have been estimated on the basis of the likely volume of work to be carried out.

- 7 The incidents in respect of which over the years the 1971 Fund has been, or may be, obliged to make payments are set out in the 1971 and 1992 Funds' Annual Report 2003.

Vistabella

- 8 The insurer of the *Vistabella* was ordered by the competent Court of first instance to reimburse the 1971 Fund the FF8.2 million or €1.25million (£880 000) paid by the Fund in compensation plus interest. The insurer appealed against the judgement. In 2004 the Court of Appeal confirmed the judgement. It is not yet established whether the insurer will appeal to the Court of Cassation. The Fund's contingent liability relates only to legal costs estimated at £15 000.

Braer

- 9 All claims but one had been settled and paid as at 31 December 2003. The 1971 Fund had paid a total of £52.4 million in compensation and costs. The outstanding claim for £1.4 million is the subject of legal proceedings and the shipowner's insurer has undertaken to pay any amount awarded by a final judgement in respect of that claim. The 1971 Fund may incur some minor legal expenses in 2004.

Keumdong N° 5

- 10 As at 31 December 2003 fishery claims totalling £1.3 million were pending in the Korean Supreme Court. The 1971 Fund had deposited some £795 000 in court in respect of these claims. The Supreme Court rendered its judgement in April 2004, rejecting the claim. As a result the deposit will be repaid. The Fund's contingent liability as regards indemnification is £9 000.

Iliad

- 11 The shipowner and his insurer have taken legal action to prevent their rights to reimbursement from the 1971 Fund for any compensation payments in excess of the limitation amount applicable to the *Iliad*, as well as their right to indemnification, from becoming time-barred. The Fund's contingent liability in respect of compensation payments is £4 million and in respect of indemnification £715 000.

Yeo Myung

- 12 The outstanding claim for compensation against the 1971 Fund has become time-barred, although the shipowner is entitled to indemnification. The Fund's contingent liability as regards indemnification is estimated at £3 000.

Yuil N° 1

- 13 All third party claims have been settled and paid. It is unlikely that the 1971 Fund will be required to reimburse the shipowner's insurer any further amounts in respect of compensation payments in excess of the limitation amount applicable to the *Yuil N°1*. The Fund may be required to contribute towards joint costs.

Kriti Sea

- 14 The claims for compensation were examined by an administrator appointed by the Court of first instance. The 1971 Fund, the shipowner and his insurer lodged opposition against a number of the administrator's assessments, and a number of claimants also lodged opposition.

After the Court of first instance had rendered its decision on the oppositions, a number of claimants brought their claims before the Court of Appeal which rendered its decision in 2003. The Claimants may appeal to the Supreme Court. Based on the Court of Appeal's decision and the settlements reached by the shipowner and his insurer with the other claimants it is unlikely that the 1971 Fund will be called upon to pay compensation or indemnification. The Fund's contingent liability as regards costs is estimated at £15 000.

Nissos Amorgos

- 15 The *Nissos Amorgos* incident has given rise to claims which by far exceed the maximum amount available for compensation, 60 million SDR. In the 1971 Fund's view, the major part of these claims is not admissible under the 1969 Civil Liability Convention and the 1971 Fund Convention. However, the contingent liabilities have been calculated on the basis of the 1971 Fund paying up to its limit as follows:

	US\$
60 million SDR (Court judgement)	83 221 800
less shipowner's limitation	<u>7 274 268</u>
	75 947 532
less compensation already paid by Fund	<u>9 745 882</u>
	66 201 650
plus indemnification of the shipowner	<u>1 804 894</u>
	68 006 544
	<u>£37 990 360</u>

Katja

- 16 It is unlikely that the 1971 Fund will be called upon to pay compensation or indemnification in respect of the incident. However, the Fund may incur some legal expenses estimated at £10 000.

Pontoon 300

- 17 The claims arising from the *Pontoon 300* incident total some £35 million. In the 1971 Fund's view the major part of the pending claims is time-barred and in any event not admissible under the 1971 Fund Convention. If these claims were to be accepted in full by the courts and the courts were to award interest for a significant period of time, the total amount of the accepted claims could exceed the maximum amount of compensation available, 60 million SDR. It is unlikely that the shipowner would be able to make any payments. The contingent liabilities have therefore been calculated on the basis of the 1971 Fund's paying up to its limit, ie £49 million.

Al Jaziah I

- 18 The *Al Jaziah I* incident occurred in the United Arab Emirates, which at that time of the incident was member of both the 1971 Fund and the 1992 Fund. The 1971 Fund Administrative Council and the 1992 Fund Executive Committee decided that the liabilities arising out of this incident should be distributed between the two Funds on a 50:50 basis. All claims have been settled and paid. The 1971 Fund has taken recourse action against the owner of the *Al Jaziah I*, which will give rise to legal costs in 2004.

Alambra

- 19 The total amount claimed falls well below the limitation amount applicable to the *Alambra* and also below the amount at which the 1971 Fund would be called upon to pay indemnification to

the shipowner. However, the shipowner's insurer has maintained in legal proceedings that the pollution was due to the shipowner's intentional wrongful act and that the insurer therefore had no liability under the insurance contract nor under the Estonian Merchant Shipping Act. The shipowner and his insurer did nevertheless settle and pay some claims in April 2004. If the insurer were to be exonerated from liability the remaining claims would fall on the 1971 Fund.
