



ADMINISTRATIVE COUNCIL
23rd session
Agenda item 7

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2007 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 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 2007. The Director has also prepared comments on the financial statements. These comments are at **Annex I**. Attached to that Annex is a summary of the External Auditor's recommendations from the previous financial year and the actions taken on those recommendations.
- 2 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.
- 3 In keeping with best practice the Director has included a Statement of Internal Control which provides positive confirmation of the internal control framework. The statement is at **Annex II**.
- 4 The financial statements of the 1971 Fund are audited by the Comptroller and Auditor General of the United Kingdom.
- 5 Pursuant to Financial Regulation 14.10, 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 2007. The Auditor's Report is at **Annex III**.

- 7 The certified financial statements for the financial period 1 January to 31 December 2007 are at **Annex V** and consist of the following.

Statement I	Statement of Budget Appropriations and Obligations Incurred in respect of the General Fund for the financial period 1 January - 31 December 2007
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 2007
Statement III	Income and Expenditure Account in respect of the General Fund for the financial period 1 January - 31 December 2007
Statement IV	Income and Expenditure Account in respect of the <i>Nissos Amorgos, Vistabella</i> and <i>Pontoon 300</i> Major Claims Funds for the financial period 1 January - 31 December 2007
Statement V	Balance Sheet of the 1971 Fund as at 31 December 2007
Statement VI	Cash Flow Statement for the 1971 Fund for the financial period 1 January - 31 December 2007

- 8 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 2007 and on contributions outstanding for previous financial periods
Schedule II	Report on Payment of Claims for the financial period 1 January - 31 December 2007
Schedule III	Details of Contingent Liabilities of the 1971 Fund as at 31 December 2007

Action to be taken by the Administrative Council

- 9 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 2007.

* * *

ANNEX I

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1971

DIRECTOR'S COMMENTS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD 1 JANUARY TO 31 DECEMBER 2007

1 Introduction

- 1.1 The International Oil Pollution Compensation Funds (IOPC Funds) are 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), both 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 A Protocol to the 1992 Fund Convention adopted in 2003 resulted in the establishment of the International Oil Pollution Compensation Supplementary Fund 2003 (Supplementary Fund), which provides an optional third tier of compensation. The Protocol entered into force on 3 March 2005. Any State Party to the 1992 Fund Convention may become Party to the Protocol and thereby become a Member of the Supplementary Fund
- 1.3 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, which at 31 December 2007 corresponded to £47 million.
- 1.4 The 1971 Fund has an Administrative Council composed of all States which at any time were Members of that Fund. The Council deals with both administrative and incident-related matters and is responsible for the winding up of the Organisation.

2 Secretariat

- 2.1 The IOPC Funds have a joint Secretariat, based in London, headed by one Director. The 1992 Fund Secretariat also administers the 1971 Fund and the Supplementary Fund.
- 2.2 As at 31 December 2007 the Secretariat had 32 established posts. The 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 major incidents the Funds and the shipowner's third

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

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 Audit Body

- 3.1 The governing bodies of the IOPC Funds have established a joint Audit Body for the three Funds composed of seven members elected by the 1992 Fund Assembly: one named Chairman nominated by 1992 Fund Member States, five named individuals nominated by 1992 Fund Member States and one named individual not related to the Organisations with expertise and experience in audit matters nominated by the Chairman of the 1992 Fund Assembly.
- 3.2 The Audit Body normally meets three times a year. In 2007, they met in March, June and December.

4 Investment Advisory Body

- 4.1 The governing bodies of the IOPC Funds have established a joint Investment Advisory Body, consisting of three experts with specialist knowledge in investment matters elected by the 1992 Fund Assembly to advise the Director in general terms on such matters.
- 4.2 The Investment Advisory Body normally meets four times a year. In 2007, they met in February, May, September and November.

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 compensation payments and claims-related expenditure up to a maximum amount of 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 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.

Income

Contribution Income

- 5.3 Since the 1971 Fund Convention ceased to be in force it is no longer possible to levy contributions to the 1971 Fund's General Fund. At its October 2006 session the Administrative Council decided not to levy 2006 annual contributions, due for payment in 2007, in respect of the three remaining Major Claims Funds, ie the *Vistabella*, *Nissos Amorgos* and *Pontoon 300* Major Claims Funds.
- 5.4 Details of outstanding contributions for previous financial periods are provided in **Schedule I**. As at 31 December 2007 the total outstanding amount of contributions levied from 1989 to 2004 was £311 004.

Interest earned on investments

- 5.5 Interest on investments amounted to £229 356 in respect of the General Fund and £280 462 in respect of the Major Claims Funds.

Expenditure

1971 Fund Expenses

- 5.6 At their October 2006 sessions the 1971 Fund Administrative Council and the 1992 Fund Assembly decided that the 1971 Fund should pay to the 1992 Fund a flat management fee towards the cost of running the joint Secretariat. The fee was set in the budget at £275 000 for the period 1 January to 31 December 2007. The management fee was set, based on the estimated number of 20 working days that the entire Secretariat would have to spend on 1971 Fund matters.
- 5.7 The expenditure relating to the 1971 Fund's share of the costs of running the joint Secretariat, consultants' fees and the External Auditor's fees amounted to £285 000 in 2007 compared to the total appropriation of £535 000. The resulting under-spend of £250 000 related entirely to the costs in respect of the winding up of the 1971 Fund. A breakdown of the 1971 Fund expenditure (see **Statement I**) is set out below:

Expenditure relating only to 1971 Fund		2007 Budget appropriations £	2007 Obligations incurred		Balance of appropriations £
			£	%	
(a)	Management fee payable to 1992 Fund	275 000	275 000	96.49	-
(b)	Costs of winding up of the 1971 Fund	250 000	-	0.00	250 000
(c)	External audit fees	10 000	10 000	3.51	-
TOTAL		535 000	285 000	100.00	250 000

Secretariat Expenses

- 5.8 The joint Secretariat's administrative expenses for 2007 amounted to £2 927 628, including the fees for the External Auditor. The total obligations incurred in 2007 was 18.5% less than the 2007 budget appropriation of £3 590 750 and 11% lower than total obligations incurred in 2006 of £ 3 288 685.

- 5.9 The External Auditor's fees for the audit of the financial statements for the three Funds were £60 500, broken down between the Funds as follows.

1992 Fund	£47 000
1971 Fund	£10 000
Supplementary Fund	£3 500

- 5.10 Expenses for running the joint Secretariat were made under six Chapters as set out below. Comments on the expenditures by Chapter are given in the 1992 Fund's Financial Statements for 2007 (document 92FUND/A.13/9, Annex I, paragraphs 5.13-5.30). Excess expenditure under Chapter III resulting in revised budget appropriations were met by one budgetary transfer as provided in the 1992 Fund's Financial Regulations. One further transfer was made as authorised by the 1992 Fund Assembly at its October 2007 session.

Chapter	2007 budget appropriations	2007 revised budget appropriations	2007 Obligations incurred		2006 Obligations incurred	
	£	£	£	%	£	%
I Personnel	2 042 350	2 042 350	1 746 881	59.7	1 998 321	60.7
II General services	740 400	740 400	513 375	17.5	536 003	16.3
III Meetings	200 000	228 548	228 548	7.8	176 638	5.4
IV Travel	160 000	140 000	102 733	3.5	143 991	4.4
V Miscellaneous expenditure	388 000	388 000	336 091	11.5	433 732	13.2
VI Unforeseen expenditure	60 000	51 452	-	-	-	-
Total	3 590 750	3 590 750	2 927 628	100.00	3 288 685	100.00

Claims and Claims-related expenditure

- 5.11 Compensation payments and claims related expenditure during 2007 totalled some £513 799. The payments related mainly to the *Pontoon 300* incident (£212 211). An amount of £281 030 was paid out of the General Fund and this amount includes claims-related expenditure of £208 971 in respect of four incidents after the Major Claims Funds set up for these incidents were closed (see **Schedule II**, paragraph 3).

General Fund and Major Claims Balances

- 5.12 The 1971 Fund's cash assets at the end of the 2007 financial period amounting to some £11.4 million were held in Pounds sterling.
- 5.13 The General Fund balance of £4 533 993 is lower than the working capital which was set by the Administrative Council at its October 2002 session at £5 million.
- 5.14 The balances due to three Major Claims Funds were as follows:

	£
<i>Nissos Amorgos</i> Major Claims Fund	3 060 911
<i>Vistabella</i> Major Claims Fund	42 399
<i>Pontoon 300</i> Major Claims Fund	2 337 458

- 5.15 At its October 2007 session the Administrative Council decided to reimburse £2.2 million to the contributors to the *Pontoon 300* Major Claims Fund and to transfer the balance to the General Fund on 1 March 2008.

- 5.16 The contingent liabilities as at 31 December 2007 were estimated at some £38.9 million in respect of 10 incidents as detailed in **Schedule III**.

Contributors' account

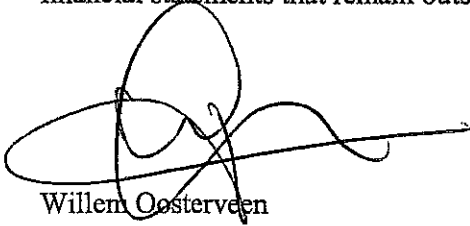
- 5.17 At the balance sheet date an amount of £1 887 976 was due to contributors. This amount includes interest credited in 2007 as provided for in the Internal Regulations. The Administrative Council decided at its October 2003 session to postpone reimbursements to contributors in those Member States which had any oil reports outstanding until all such reports had been submitted. This decision has been renewed at all its following sessions.

Cash Flow Statement for the financial period 1 January - 31 December 2007 (Statement VI)

- 5.18 During the financial period ended 31 December 2007, the net cash outflow from operating activities was £860 624 (partially offset by the interest from the 1971 Fund's investments amounting to £608 692), which resulted in a reduction of the cash balance from the opening balance of £11 666 191 to £11 414 259 (see Note 6 to the financial statements).

External Auditor's Recommendations from previous financial years

The External Auditor's recommendations from the 2006 previous financial year cover both the 1992 Fund and the 1971 Fund. These recommendations and the Director's response thereto are set out in the Attachment to this Annex with an update on the recommendations made for the 2005 financial statements that remain outstanding.



Willem Oosterveen
Director
20 June 2008

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RECOMMENDATIONS MADE BY EXTERNAL AUDITOR IN MAIN REPORT

FINANCIAL STATEMENTS 2006

<i>1992 Fund and 1971 Fund</i>	<u>Recommendations from External Auditor</u>	<u>Response from IOPC Funds' Director</u>	<u>Status</u>
	<ul style="list-style-type: none"> • <u>Recommendation 1</u>: Adoption of IPSAS by the Fund 	Discussions are being held with the External Auditor and Audit Body with a view to submit a proposal to the governing bodies in October 2008.	To set out in a document to the October 2008 session the current status.
	<ul style="list-style-type: none"> • <u>Recommendation 2</u>: Budgets for project work to include staff time. 	For future large projects staff members' time will be estimated where possible.	Implemented in the case of claims database being developed.
<i>1992 Fund Only</i>	<ul style="list-style-type: none"> • <u>Recommendation 3</u>: A more accurate system of allocation of Secretariat time should be considered, should the Secretariat become responsible for the HNS Fund. 	Director to review the system but for the governing bodies to decide should the Secretariat become responsible for the HNS Fund.	Subject to the HNS Fund coming into force and the Secretariat being responsible for its administration.



	<u>Recommendations from External Auditor</u>	<u>Response from IOPC Funds' Director</u>	<u>Status</u>
	<ul style="list-style-type: none">• <u>Recommendation 4</u>: Continue with staff performance management system.	Staff performance management system has been fully embedded in the Secretariat since 2007.	Implemented. Evaluation to be undertaken in 2008.
	<ul style="list-style-type: none">• <u>Recommendation 5</u>: Complete the process of identification of key risks.	Risk management process will be finalised as rapidly as practically possible	To be completed in 2008. Audit Body to be given an update in June 2008.



FINANCIAL STATEMENTS 2005

<i>1992 Fund and 1971 Fund</i>	<u>Recommendations from External Auditor</u>	<u>Response from IOPC Funds' Director</u>	<u>Status</u>
	<ul style="list-style-type: none"> • <u>Recommendation 1</u>: Contributor's account - Review of position in respect of the credit balances of a particular contributor. 	Discussions are being held with the contributor for the purpose of resolving the issue.	Ongoing- settlement proposal made to contributors in December 2007.
	<ul style="list-style-type: none"> • <u>Recommendation 2</u>: Review of recoverability of all contributions outstanding to the Funds. 	The Director will review the position in relation to each of the individual contributors in order to determine whether it will be appropriate to write off any contributions.	Implemented.
<i>1992 Fund Only</i>	<ul style="list-style-type: none"> • <u>Recommendation 6</u>: Risk identification process. 	The ongoing process on risk management will be finalised as rapidly as practically possible. On completion key risks will be identified and monitored by the Secretariat.	See response to 2006 Financial Statements.

ANNEX II

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1971

STATEMENT OF INTERNAL CONTROL

Scope of Director's responsibility

Under Article 28.2 of the 1971 Fund Convention, the Director shall be the legal representative of the International Oil Pollution Compensation Fund 1971 (1971 Fund). Each Contracting State shall, pursuant to Article 2.2, recognise the Director as the legal representative of the Fund.

Under Article 29.1, the Director shall be the chief administrative officer of the 1971 Fund. As chief administrative officer, the Director has responsibility for maintaining a sound system of internal control that supports the achievement of the 1971 Fund's policies, aims and objectives, whilst also safeguarding the 1971 Fund's assets.

As a result of these provisions, the Director has the authority, vis-à-vis third parties, to commit the 1971 Fund without restrictions, unless the third party concerned has been informed of any limitation of this authority decided by the 1971 Fund's governing body.

The Director is however bound by any restriction of his authority decided by the 1971 Fund governing body. He may delegate his authority to other officers within the limits laid down by the 1971 Fund Administrative Council.

The 1971 Fund, the International Oil Pollution Compensation Fund 1992 (1992 Fund) and the International Oil Pollution Compensation Supplementary Fund (Supplementary Fund), together referred to as the IOPC Funds, have a joint Secretariat headed by one Director. The 1992 Fund administers the joint Secretariat and staff members are therefore employed by the 1992 Fund.

Pursuant to the authority given and within the limits laid down by the IOPC Funds' governing bodies the Director has delegated his authority to other officers by Administrative Instructions.

The Director is assisted by a Management Team comprising of the Deputy Director / Technical Adviser, the Legal Counsel, the Head of the Claims Department, the Head of the Finance and Administration Department and the Head of the External Relations and Conference Department for the day to day running of the Secretariat.

Statement on the system of internal control

The Director has the responsibility for maintaining a sound system of internal control that supports the work of the 1971 Fund. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks and to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

In 2002 the 1971 Fund Administrative Council established an Audit Body. The Audit Body meets formally three times a year. The Audit Body has the mandate to review the effectiveness of the Organisation regarding key issues of financial reporting, internal controls, operational procedures and risk management, to review the Organisation's financial statements and reports, and to consider all relevant reports by the External Auditor, including reports on the Organisation's financial statements. This additional oversight provides further assurance that appropriate internal controls are in place.

Capability to handle risk

During 2007 the Director continued a review of the IOPC Funds' risk management and the work carried out towards developing a risk register. In close cooperation with the Audit Body, and with the assistance of external consultants and the External Auditor, five areas of risk have been identified, namely: reputation risk, claims handling process, financial risk, human resource management and business continuity.

Under these five areas, with the assistance of external consultants, the sub risks are being mapped and assessed following which the process and procedures for management of these risks will be documented. This exercise will allow the IOPC Funds to prioritise the key risks and to ensure that these risks have been adequately mitigated. The Audit Body and the External Auditor have made valuable contributions to the work in this field. Further work was carried out during 2007.

The risk and control framework

The system of internal control is based on an on going process designed to ensure conformity with the 1971 Fund Convention, the Financial Regulations, the Internal Regulations and decisions of the 1971 Fund Administrative Council.

The Administrative Council adopts the Financial Regulations and Internal Regulations necessary for the proper functioning of the 1971 Fund. Amendments to these Regulations were last made at the Council's March 2005 session.

The joint Investment Advisory Body established by the IOPC Funds' governing bodies advises the Director on relevant procedures for investment and cash management controls. The Body monitors, on a quarterly basis, the credit ratings of financial institutions and reviews the credit ratings of such institutions that meet the IOPC Funds' investment criteria. The Body also reviews the IOPC Funds' investments and foreign exchange requirements to ensure that reasonable investment returns are achieved without compromising the IOPC Funds' assets. The Body reports to the 1971 Fund Administrative Council on an annual basis.

Review of effectiveness

The review of the effectiveness of the system of internal control is carried out through the work of the Audit Body and comments of the External Auditor. Any recommendations made by the External Auditor in his management letter and other Reports are considered and a plan to address any identified weakness and to ensure continuous improvement of the current system is agreed. All recommendations made by the External Auditor in his management letter and Report on the 2006 Financial Statements have been addressed.

The Audit Body at its meeting in March 2003 took the view that an internal audit function would be an unnecessary burden and expense on an organisation the size of the 1992 Fund. The Director will keep this issue under review.

I have concluded that there existed an effective system of internal control for the financial year 2007.



Willem Oosterveen
Director
20 June 2008



National Audit Office

The National Audit Office (NAO), headed by the Comptroller and Auditor General of the United Kingdom, provides an external audit service to the International Oil Pollution Compensation Fund 1971. The External Auditor has been appointed by the Fund Assembly in accordance with Regulation 14 of the Financial Regulations. In addition to certifying the accounts of the Fund, he has authority under the mandate to report to the Assembly on the economy, efficiency and effectiveness with which the organisation has used its resources.

The aim of the audit is to provide independent assurance to the Administrative Council; to add value to financial management and governance; and to support the objectives of the Fund's work.

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External Auditor's Report 2007

International Oil Pollution Compensation Fund 1971

Contents	Paragraph
EXECUTIVE SUMMARY	1 – 8
DETAILED REPORT FINDINGS	
Financial Reporting	
- Income and expenditure	9 - 14
- Assets and liabilities	15- 19
- Other financial matters	20
- Adoption of IPSAS	21 - 24
Financial Management Issues	
- Internal Controls	25
Progress on previous audit recommendations	26-32
Acknowledgement	33
SCOPE AND AUDIT APPROACH	ANNEX I

EXECUTIVE SUMMARY

- *An unqualified audit opinion on the 2007 financial statements.*
- *A shortfall of income over expenditure in comparison to prior years, consistent with the winding down of the 1971 Fund.*
- *No major claims funds were closed during the period, and there was a fall in estimated contingent liabilities.*
- *Progress towards the formal adoption of International Public Sector Accounting Standards*

OVERALL RESULTS OF THE AUDIT

1. We have audited the Financial Statements of the International Oil Pollution Compensation Fund 1971 in accordance with the Financial Regulations and in conformity with International Standards on Auditing. We have provided a separate audit opinion and report in relation to the Financial Statements of the International Oil Pollution Compensation Fund 1992 and an opinion in relation to the financial statements of the Supplementary Fund.
2. The audit examination revealed no weaknesses or errors which we considered material to the accuracy, completeness and validity of the financial statements and the audit opinion confirms that these financial statements present fairly, in all material respects, the financial position as at 31 December 2007, and the results of operations and cash flows for the period then ended, in accordance with United Nations System Accounting Standards and the IOPC Funds' stated accounting policies.
3. The main observations and recommendations from our audit are summarised below, with a further commentary in the section on Detailed Findings. Action taken by management in response to our previous year's recommendations, for 2006, is discussed in a separate section of the report; and the scope and approach of the audit, which were communicated to the Secretariat in a detailed audit strategy, is summarised at Annex A.

MAIN FINDINGS AND RECOMMENDATIONS

Financial Reporting

4. The detailed findings of this report provide a commentary on the Fund's financial position. For the financial year ended 31 December 2007, the 1971 Fund reported shortfall of income over expenditure of £290,975 compared with a shortfall of £463,025 in 2006.
5. Overall we found that internal financial controls operated effectively in each of the account areas that we audited; and combined with assurance gained from tests of detail there was sufficient reliable evidence to support our audit opinion.
6. The Fund is preparing to adopt International Public Sector Accounting Standards (IPSAS) by 2010. We have reviewed progress towards this, including review of the Fund's timetable and plans for adoption of IPSAS which will be submitted to the Assemblies for approval. We encourage the Funds to develop a project plan for implementation once the Assemblies have approved the adoption of IPSAS in principle.

Financial Management Issues

7. In addition to the work necessary to provide audit assurance on the financial statements, we reviewed the major areas of the Secretariat's operations in the audit period and provided guidance and support to the Secretariat as required.
8. We also carried out a follow-up on the recommendations in our 2006 audit report and confirmed that the Secretariat had taken steps to address all the audit recommendations.

DETAILED REPORT FINDINGS

Financial Reporting

Income and Expenditure

9. During the financial period 2007, the 1971 Fund reported a General Fund operating deficit of £338,668 compared with the previous year when the deficit had been £376,833. The deficit is explained by claims-related expenditure and the fact that no contributions were levied in the period. When the respective surpluses and deficits on the General Fund and Major Claims Funds are taken into account, the 1971 Fund reported an overall deficit for the year of £290,975 (2006: £463,025 deficit).

Contributions Income

10. The 1971 Fund did not levy any contributions for receipt in 2007. The only movements on contributions related to prior year contributions waived during 2006 (£17,555). There were no reimbursements of contributions in the period arising from closure of any Major Claims Fund.

Miscellaneous Income

11. Miscellaneous income received in 2007 amounted to £525,379 (£455,420 in 2006). Interest from investments accounted for £509,818 of total miscellaneous income, which represents an 18 percent increase on the previous year, mainly as a result of a higher than normal number of maturing investments during the period. The value of interest income reflects the accounting policy of recording interest on the basis of cash received, rather than on an accruals basis when income is due.

Secretariat Expenses

12. Secretariat expenses relating only to the 1971 Fund amounted to £285,000 which represented a reduction on the 2006 figure of £290,640. This cost comprises mainly the agreed management fee paid to the 1992 Fund of £275,000. This payment was disclosed to and approved by the 1971 Fund Administrative Council and the 1992 Fund Assembly.

Claims and Claims Related Expenses

13. Levels of compensation payments made during 2007 were at similar levels to previous years, totalling £209,105 (2006: 224,052).

14. Claims related expenditure reduced by a quarter during the period. Sustained levels of claims related expenditure reflects the fact that there are several Major Claims Funds which have been closed and this expenditure is now incurred by the General Fund.

Assets and Liabilities

15. Cash held by the 1971 Fund amounted to £11,414,259 at 31 December 2007, compared with £11,666,191 for the previous year. This reduction reflected the deficit of income over expenditure seen in the period.
16. The level of outstanding assessed contributions fell in 2007 to £311,004 from £328,558. The decrease was as a result of the write-off of contributions rather than the receipt of long-overdue contributions. Even though outstanding contributions remained low in percentage terms, we would continue to encourage all Member States to assist the Funds in obtaining outstanding amounts from contributors in their respective States; and for the Fund's Secretariat to continue to actively seek the payment of these outstanding balances.
17. The contributors' account balance has increased slightly to £1,887,976 in 2007 from £1,836,738 in 2006. This balance relates to amounts held by the Fund as credit balances pending allocation to future levies or requests for repayment. The increase mainly represents interest that has accrued to the contributor's account during the period.

Contingent Liabilities

18. Schedule III to the financial statements discloses the contingent liabilities of the 1971 Fund, which are defined in the accounting policies as all known or likely claims against the 1971 Fund and claims-related expenditures estimated for the next financial year. Contingent liabilities as at 31st December 2007 have been estimated at £38,894,200 compared to £39,155,000 in 2006.
19. Such liabilities would need to be funded through further levies of contributions to Major Claims Funds. As at 31st December 2007, the Nissos Amorgos Major Claims Fund recorded a balance of £3,060,911 but has a disclosed contingent liability of £29,900,000.

Other financial matters: fraud, presumptive fraud or money laundering

20. No cases of fraud, presumptive fraud or money laundering were reported to us by the Secretariat or identified in the items examined as part of our audit of the 2007 financial period.

Adoption of International Public Sector Accounting Standards (IPSAS)

21. In 2007 we reviewed the Fund's current alignment with United Nations System Accounting Standards (UNSAS) and their continued applicability. The Fund continues to provide timely and well presented

financial statements supported by well maintained accounting records in accordance with its Financial Regulations.

22. In our report to the 2006 Financial Statements we recommended that the Secretariat should submit a proposal to the Assembly seeking approval of the adoption of the International Public Sector Accounting Standards (IPSAS). We have been assisting the Secretariat during 2007 and early 2008 in preparing for this move. Part of this preparation has been to assess the likely implications that a move to IPSAS will entail, and the planned timetable to ensure a smooth transition. The Secretariat have now developed a proposal for submission to the 2008 session of the Administrative Council to seek its formal approval for the adoption of IPSAS. The time line for the move to IPSAS is as follows:

- Mid 2008 to mid-2009

Develop IPSAS-compliant Financial Regulations and accounting policies as appropriate for the Funds.

- Autumn 2009

An accounts manual will be produced to provide guidance to staff in the Finance Department on the appropriate accounting treatment of income, expenditure, assets and liabilities.

- From 1 January 2010

Re-working of 2009 financial statements in IPSAS format for comparative purposes

23. The Secretariat's initial analysis has also identified the key changes arising as a result of adopting IPSAS and have identified the key issues as follows:

Change in format and content of accounts

- (a) Fixed Assets – Presently, the purchase of fixed assets (that is, those assets which have a useful life of more than one year) are shown as expenditure in the year of purchase. IPSAS, in common with generally-accepted accounting practice, requires that these assets be shown on the balance sheet, and an annual charge for depreciation of the assets be made in the expenditure statement, effectively spreading the cost of the assets over their useful life. A threshold for capitalisation of assets will have to be determined;
- (b) Intangible Assets – A valuation methodology will need to be decided which takes into account fully the cost of developing any of the Funds' bespoke IT packages, such as the web-based claims management system;
- (c) Financial instruments - These are currently explained by way of note to the Financial Statements. Accounting, disclosure and presentation requirements will need to follow International Accounting Standards and International Financial Reporting Standards under

IPSAS in terms of recognising and measuring any value changes and accounting and reporting these changes in the financial statements;

- (d) Recognition of income from investments – Investment income under IPSAS will not be recorded on maturity of the investment as is current practice, but accrued during the financial period;
- (e) Recognition of interest on outstanding contributions – Interest on outstanding contributions will need to be accrued as income up to the financial year-end and not when outstanding contributions are received, as is the present treatment;
- (f) Liabilities – There is likely to be a requirement to show as a liability on the Balance Sheet items which are presently simply disclosed in notes to the accounts. This will have the impact of directly reducing the Fund's accumulated surplus, to more accurately show the position of the various Funds. Examples of those which may require inclusion in the Balance Sheet are accrued annual leave and repatriation costs for existing staff; and
- (g) Recognition of expenditure – Expenditure will be recorded on the basis of services (or goods) actually received or due to be received in the accounting period, rather than at the time of contracting, as was the case under UNSAS. This will simplify the existing unliquidated obligations (ULO) recording procedure.

With respect to claims-related expenditure such as technical fees, lawyers' fees etc., recording of expenditure on the basis of services (or goods) actually received in the accounting period should not pose a problem for the Funds. The recording of compensation expenditure in the accounting period will require further review.

24. We have worked closely with the Secretariat to identify the key issues and we welcome the positive progress made to formalise the adoption of IPSAS. We also welcome the foresight in building in the capacity in to its accounting system FUNDMAN to accommodate IPSAS, while recognising that some further additions may need to be made to the system as full adoption evolves. We encourage the Funds to establish a formal project plan for the adoption of IPSAS once they have obtained approval from the Governing Bodies. Such a project plan should incorporate milestones for implementation and progress against the plan should be regularly reviewed by the Secretariat and also the Governing Bodies.

Recommendation 1: We recommend that the Secretariat establish a formal project plan for the adoption of IPSAS once they have obtained approval from the Governing Bodies. Such a project plan should incorporate milestones for implementation and progress against the plan should be regularly reviewed by the Secretariat and also the Governing Bodies.

Financial Management Issues

Internal Controls

25. As part of our audit we reviewed the Fund's internal controls, established by management to ensure the regularity of transactions and to provide effective stewardship of resources. We found the controls in operation to be effective for the purpose of supporting our audit opinion.

Progress on Previous Audit Recommendations

26. As part of our responsibilities as external auditors, we routinely report to the Administrative Council on management's implementation of prior year audit recommendations. This serves to provide assurance to the Administrative Council that appropriate action is taken in response to audit recommendations.

Preparation for the move to IPSAS

27. We reviewed progress towards this target and are satisfied that the Funds are preparing for this change adequately and we have commented further in this report.

Improvements to Budgeting

28. In 2006 we recommended that the secretariat prepare budgets that include staff time for the execution of project work. There were no significant projects during 2007 that would necessitate the use of project budgeting of this complexity and therefore the issue has not arisen in this year.

Contributor's Account

29. In 2005 we identified one contributor owed almost £1 million from the Funds (1971:£487,209 and 1992:£509,071). This had not been repaid, as the contributor was a dissolved joint venture between two oil companies. We recommended that the Secretariat address this issue and repay the balance.
30. Our follow-up concluded that the Fund has been vigorous in pursuing the repayment of this money, and the Secretariat is in negotiation with the relevant parties. We encourage the Secretariat to continue its work to return this outstanding balance.

Contribution Recoverability

31. In 2005 we also recommended that the Secretariat review the recoverability of all contributions outstanding (Financial Regulation 11.5). We can confirm that the Secretariat has also performed such a review in 2007, which resulted in the write off of £17,555 on the 1971 Fund, and we were satisfied with the Secretariat's rationale for doing so.

Service Supplier Selection

32. In our previous reports we highlighted the need for competitive tendering and selection of suppliers from a wider pool to obtain better value for money. We have noted that in 2007 quotes had been obtained for some recurring expenditure during the year, and cost savings had been achieved when alternative suppliers were used as a result and we welcome the positive progress made by the Funds in this regard.

Acknowledgement

33. We are grateful for the continued assistance and co-operation provided by the Director and Secretariat staff during our audit.



T J Burr

Comptroller and Auditor General, United Kingdom
External Auditor

ANNEX I

SCOPE AND AUDIT APPROACH

Audit Scope and objectives

Our audit examined the financial statements of the International Oil Pollution Compensation Fund 1971 (1971 Fund) for the financial period ended 31 December 2007 in accordance with Financial Regulation 14. The main purpose of the audit was to enable us to form an opinion on whether the financial statements fairly presented the Fund's financial position, its surplus, funds and cash flows for the year ended 31 December 2007; and whether they had been properly prepared in accordance with the Financial Regulations.

Audit Standards

Our audit was conducted in accordance with International Standards on Auditing as issued by the International Auditing and Assurance Standards Board. These standards required us to plan and carry out the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. Management were responsible for preparing these financial statements and the External Auditor is responsible for expressing an opinion on them, based on evidence obtained during the audit.

Audit Approach

Our audit included a general review of the accounting systems and such tests of the accounting records and internal control procedures as we considered necessary in the circumstances. The audit procedures are designed primarily for the purpose of forming an opinion on the Fund's financial statements. Consequently our work did not involve detailed review of all aspects of financial and budgetary systems from a management perspective, and the results should not be regarded as a comprehensive statement of all weaknesses that exist or all improvements that might be made

Our audit also included focused work in which all material areas of the financial statements were subject to direct substantive testing. A final examination was carried out to ensure that the financial statements accurately reflected the Fund's accounting records; that the transactions conformed to the relevant financial regulations and governing body directives; and that the audited accounts were fairly presented.

**FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL POLLUTION
COMPENSATION FUND 1971 FOR THE YEAR ENDED 31 DECEMBER 2007**

AUDIT OPINION

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

I have audited the accompanying financial statements, comprising Statements I to VI, Schedules I to III and the supporting Notes of the International Oil Pollution Compensation Fund 1971 for the financial period ended 31 December 2007. 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 International Standards on Auditing (ISAs) as issued by the International Auditing and Assurance Standards Board (IAASB). 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, and as considered by the auditor to be necessary in the circumstances, 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. I believe that my audit provides a reasonable basis for the audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2007 and the results of operations and cash flows for the period then ended in accordance with the 1971 Fund's stated accounting policies set out in Note 1 of the financial statements, which were applied on a basis consistent with that of the preceding financial period.

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

In accordance with Financial Regulation 14, I have also issued a long-form Report on my audit of the Fund's financial statements.



**T J Burr
Comptroller and Auditor General
United Kingdom
External Auditor**

ANNEX V

FINANCIAL STATEMENTS

OF THE INTERNATIONAL OIL

POLLUTION COMPENSATION FUND 1971

FOR THE FINANCIAL YEAR

ENDED 31 DECEMBER 2007

CONTENTS

Page No.

FINANCIAL STATEMENTS

Statement I	Statement of Budget Appropriations and Obligations Incurred in respect of the General Fund for the financial period 1 January - 31 December 2007	4
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 2007	5
Statement III	Income and Expenditure Account in respect of the General Fund for the financial period 1 January - 31 December 2007	6
Statement IV	Income and Expenditure Account in respect of the <i>Nissos Amorgos, Vistabella</i> and <i>Pontoon 300</i> Major Claims Funds for the financial period 1 January - 31 December 2007	7
Statement V	Balance Sheet of the 1971 Fund as at 31 December 2007	8
Statement VI	Cash Flow Statement for the 1971 Fund for the financial period 1 January - 31 December 2007	9

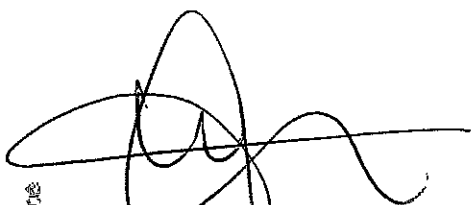
NOTES TO FINANCIAL STATEMENTS	10-15
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SCHEDULES

Schedule I	Report on Contributors during the financial period 1 January - 31 December 2007 and on contributions outstanding for previous financial periods	16-19
Schedule II	Report on Payment of Claims for the financial period 1 January - 31 December 2007	20-22
Schedule III	Details of Contingent Liabilities of the 1971 Fund as at 31 December 2007	23-26

CERTIFICATION OF THE FINANCIAL STATEMENTS

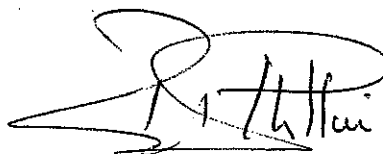
The appended financial statements numbered I to VI and the supporting schedules are certified.



Willem Oosterveen
Director



National Audit Office



Ranjit S P Pillai
Head Finance & Administration Department

GENERAL FUND

STATEMENT OF BUDGET APPROPRIATIONS AND OBLIGATIONS INCURRED FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2007

CLASS OF EXPENDITURE	BUDGET APPROPRIATIONS		REVISED BUDGET APPROPRIATIONS		OBLIGATIONS INCURRED		BALANCE OF APPROPRIATIONS	
	2007	2006	2007	2006	2007	2006	2007	2006
(a) Management fee payable to 1992 Fund	275 000	275 000	275 000	275 000	275 000	275 000	-	-
(b) Costs for winding up of the 1971 Fund	250 000	250 000	250 000	250 000	-	5 640	250 000	244 360
(c) External audit fees for 2005 Financial Statements- 1971 Fund only	10 000	10 000	10 000	10 000	10 000	10 000	-	-
TOTAL OBLIGATIONS	535 000	535 000	535 000	535 000	285 000	290 640	250 000	244 360

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 Statement IV for the various Major Claims Funds.

SUMMARY OF INCOME AND EXPENDITURE ACCOUNT OF THE GENERAL FUND AND
MAJOR CLAIMS FUNDS
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2007

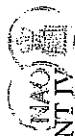
2007						2006
	General Fund	Nissos Amorgos	Vistabella	Pontoon 300	Total	Total
INCOME	£	£	£	£	£	£
Contributions						
Contributions waived	(17 555)	-	-	-	(17 555)	(2 965)
Miscellaneous	(17 555)	-	-	-	(17 555)	(2 965)
Sundry income	20 001	-	-	-	20 001	-
Interest on overdue contributions	-	-	-	-	-	27 013
Less interest on overdue contributions waived	(4 440)	-	-	-	(4 440)	(3 111)
Interest on investments	229 356	154 098	2 103	124 261	509 818	431 518
Total income	244 917	154 098	2 103	124 261	525 379	455 420
	227 362	154 098	2 103	124 261	507 824	452 455
EXPENDITURE						
Secretariat expenses						
Obligations incurred	285 000	-	-	-	285 000	290 640
Claims						
Compensation	-	-	-	209 105	209 105	224 052
Claims related expenditure	281 030	1 995	18 563	3 106	304 694	400 788
Total expenditure	566 030	1 995	18 563	212 211	513 799	624 840
Income less expenditure	(338 668)	152 103	(16 460)	(87 950)		915 480
Balance b/f: 1 January	4 872 661	2 908 808	58 799	2 425 408		
	4 533 993	3 060 911	42 339	2 337 458		
Balance as at 31 December	4 533 993	3 060 911	42 339	2 337 458		

STATEMENT III

GENERAL FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2007

	Note	2007		2006	
INCOME		£	£	£	£
Contributions (Schedule I)					
Contributions waived	2	(17 555)		(2 283)	
			(17 555)		(2 283)
Miscellaneous					
Sundry income	3	20 001		-	
Interest on overdue contributions		-		27 013	
Less interest on overdue contributions waived	2	(4 440)		(3 111)	
Interest on investments	4	229 356		200 538	
			244 917		224 440
Total income			227 362		222 157
EXPENDITURE					
Secretariat expenses (Statement I)					
Obligations incurred	5		285 000		290 640
Claims (Schedule II)					
Compensation			-		-
Claims related expenses (Schedule II)					
Fees		280 872		308 286	
Miscellaneous		158		64	
			281 030		308 350
Total expenditure			566 030		598 990
(Shortfall)/excess of income over expenditure			(338 668)		(376 833)
Balance b/f: 1 January			4 872 661		5 249 494
Balance as at 31 December	12		4 533 993		4 872 661



STATEMENT IV

INCOME AND EXPENDITURE ACCOUNT OF
THE NISSOS AMORGOS, VISTABELLA AND PONTOON 300 MAJOR CLAIMS FUNDS

FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2007

		Nissos Amorgos Major Claims Fund				Vistabella Major Claims Fund				Pontoon 300 Major Claims Fund			
		2007		2006		2007		2006		2007		2006	
INCOME		£	£	£	£	£	£	£	£	£	£	£	£
Contributions (Schedule I)													
Contributions waived		-		-		-		(682)		-		-	
									(682)				
Miscellaneous													
Interest on investments	4	154 098		119 181		2 103		2 487		124 261		109 312	
			154 098		119 181		2 103	2 487			124 261		109 312
Total income			154 098		119 181		2 103	1 805			124 261		109 312
EXPENDITURE (Schedule II)													
Compensation/Indemnification		-		-		-		-		209 105		224 052	
Fees		1 946		21 482		18 506		16 351		2 951		52 135	
Travel		-		2 293		-		-		-		-	
Miscellaneous		49		24		57		51		155		102	
Total expenditure			1 995		23 799		18 563		16 402		212 211		276 289
(Shortfall)/excess of income over expenditure			152 103		95 382		(16 460)		(14 597)		(87 950)		(166 977)
Balance b/f: 1 January			2 908 808		2 813 426		58 799		73 396		2 425 408		2 592 385
Balance as at 31 December	12		3 060 911		2 908 808		42 339		58 799		2 337 458		2 425 408



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STATEMENT V

BALANCE SHEET OF THE 1971 FUND AS AT 31 DECEMBER 2007

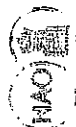
2007						2006
	Note	General Fund	Vistabella	Pontoon 300	Nissos Amorgos	Total
ASSETS		£	£	£	£	£
Cash at banks and in hand	6	5 984 927	35 189	2 336 168	3 057 975	11 414 259
Contributions outstanding	7	299 843	7 150	1 290	2 721	311 004
Interest on overdue contributions outstanding	8	122 350	-	-	215	122 565
Due from 1992 Fund	9	13 095	-	-	-	13 095
Tax recoverable	10	1 754	-	-	-	1 754
TOTAL ASSETS		6 421 969	42 339	2 337 458	3 060 911	11 862 677
LIABILITIES						
Accounts payable		-	-	-	-	-
Contributors' account	11	1 887 976	-	-	-	1 887 976
Due to 1992 Fund		-	-	-	-	-
TOTAL LIABILITIES		1 887 976	-	-	-	1 887 976
FUNDS' BALANCES						
Working Capital		5 000 000	-	-	-	5 000 000
Surplus / (Deficit)		(466 007)	42 339	2 337 458	3 060 911	4 974 701
GENERAL FUND AND MAJOR CLAIMS FUNDS (MCFs) BALANCES	12	4 533 993	42 339	2 337 458	3 060 911	9 974 701
TOTAL LIABILITIES, GENERAL FUND AND MCFs BALANCES		6 421 969	42 339	2 337 458	3 060 911	11 862 677
						12 126 021

STATEMENT VI

CASH FLOW STATEMENT OF THE 1971 FUND

FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2007

	2007		2006	
	£	£	£	£
Cash as at 1 January		11 666 191		12 301 681
OPERATING ACTIVITIES				
Operating Deficit	(800 793)		(894 543)	
Decrease/(Increase) in Debtors	11 412		13 005	
Increase/(Decrease) in Creditors	(71 243)		(271 184)	
Net cash flow from operating activities		(860 624)		(1 152 722)
RETURNS ON INVESTMENTS				
Interest on investments	608 692		517 232	
Net cash inflow from returns on investments		608 692		517 232
Cash as at 31 December		11 414 259		11 666 191



 National Audit Office

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.

The 1971 Fund Convention ceased to be in force on 24 May 2002 in accordance with Article 43.1 of the Convention as amended by the Protocol of 2000 thereto 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.

(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. No adjustment to the accounts has been made in view of the progressive winding up of the 1971 Fund.

(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.

At its October 2000 session the Administrative Council of the 1971 Fund authorised the Director to purchase insurance covering any liabilities of the 1971 Fund for compensation and indemnification in respect of incidents occurring during the period 25 October 2000 to 24 May 2002 up to 60 million Special Drawing Rights (SDR) 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 SDR for each incident. There are currently no incidents covered by the insurance.

As regards any incident occurring before 25 October 2000 expenses up to 1 million SDR are 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).

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 Administrative Council.

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

After the 1971 Fund Convention ceased to be in force on 24 May 2002, contributions can no longer be levied in respect of the General Fund.

Interest on contributions received late is included only in the year in which the overdue annual contribution is actually paid. No interest is charged on overdue interest.

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

(h) Interest on contributors' account

In accordance with Internal Regulation 3.11 any credit balance on a contributors' account bears interest. The interest is added to the credit balance every year when levies or reimbursements are made, normally on the 1 March.

(i) 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 better interest rates.

(j) 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 is calculated at a preferential rate of 0.25% above the lowest London clearing bank base rate.

(k) Translation of currencies

The 1971 Fund's assets and liabilities at the end of the 2007 financial period were all 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.

If in relation to Major Claims Funds currencies are 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 Funds.

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

Any other gains or losses at the end of the financial year arising from holding monetary items, ie assets to be received in determinable amounts of money, are credited or debited to the respective Funds.

For the translation of all monetary assets and liabilities, the rate applied is the rate of exchange for the Pound sterling against various currencies on 31 December 2007 (the last banking day of 2007) as published in the London Financial Times.

2

Contributions and interest on overdue contributions waived

Pursuant to Financial Regulation 11.5, the Director decided to write off the outstanding contribution amount of £17 555 and interest of £4 440 due from a contributor in Greece (see Schedule I, Note 5).

3 Sundry income

An amount of £20 000 was received in 2007, being a refund of legal costs incurred in respect of the *Braer* incident.

4 Interest on investments

As at 31 December 2007 the 1971 Fund's portfolio of investments comprised of the 1971 Fund's bank deposits in respect of the General Fund, the *Nissos Amorgos*, *Vistabella* and *Pontoon 300* Major Claims Funds and the Contributors' Account. The distribution of the deposits by financial institution is set out in Note 6.

Interest due in 2007 on the investments amounted to £608 692 and is distributed as follows:

	£
General Fund	229 356
<i>Nissos Amorgos</i> Major Claims Fund	154 098
<i>Vistabella</i> Major Claims Fund	2 103
<i>Pontoon 300</i> Major Claims Fund	124 261
Contributor's account	<u>98 874</u>
	<u>608 692</u>

5 Obligations incurred

At their October 2006 sessions the 1971 Fund Administrative Council and the 1992 Fund Assembly decided that the 1971 Fund should pay a flat management fee towards the cost of running the joint Secretariat. The fee was set in the budget at £275 000 for the period 1 January to 31 December 2007 (documents 71FUND/AC.20/24, paragraph 18.3 and Annex and 92FUND/A.11/35, paragraph 27.3 and Annex).

The figure of £285 000 is made up of the management fee of £275 000 and the External Auditor's fee of £10 000.

6 Assets

Cash at banks and in hand

The amount of £11 414 259, which includes a balance of £1 887 976 on the Contributors' account, was held in various financial institutions and accounts as follows:

<u>Time deposit accounts</u>	£	£
DePfa Bank plc		4 250 000
Nationwide Building Society		1 000 000
Ulster Bank Ireland Limited		4 500 000
<u>Current and call deposit accounts</u>		
Bank of Scotland – call account	1 533 213	
Barclays Bank plc - £ Business Premium/		
Current a/cs	<u>131 046</u>	<u>1 664 259</u>
		<u>11 414 259</u>

7 **Contributions outstanding**

Outstanding contributions due to the 1971 Fund as at 31 December 2007 totalled £311 004. A report on contributions outstanding for previous years is provided in **Schedule I**.

8 **Interest on overdue contributions outstanding**

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.

As set out in Note 1(g) above interest on overdue contributions, either received or receivable, is only included in the year in which the outstanding contribution is paid. Therefore when an outstanding contribution is paid, an invoice is raised in respect of the corresponding interest and the interest income is accounted for. Interest is charged on contributions outstanding for the whole period for which they remain outstanding. Such income is shown under 'Miscellaneous' in the Income and Expenditure statements of the respective General Fund and Major Claims Funds as 'Interest on overdue contributions'.

Interest on overdue contributions is shown as an asset on the balance sheet (Interest on overdue contributions outstanding) until it is received.

Interest on overdue contributions totalling £122 565 was receivable as at 31 December 2007.

9 **Payment due from the 1992 Fund**

As at 31 December 2007, an amount of £13 095 was due from the 1992 Fund to the 1971 Fund. This amount consists mainly of claims related payments made on behalf of the 1992 Fund in respect to the joint *Al Jaziah* incident (see **Schedule II**).

10 **Tax recoverable**

An amount of £1 754 relates to VAT to be refunded to the 1971 Fund by the United Kingdom Government.

11 **Contributors' account**

The amount of £1 887 976 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 £98 874 credited in 2007 to contributors as provided in Internal Regulation 3.11.

12 **Funds' balances**

The figure of £4 533 993 represents the excess of Income over Expenditure in respect of the General Fund. The General Fund balance is lower than the working capital, which at December 2007 was £5 million as decided by the Administrative Council at its October 2002 session (document 71FUND/AC.9/20, paragraph 18).

The balances in respect of the Major Claims Funds are set out below:

	£
<i>Vistabella</i> Major Claims Fund	42 339
<i>Nisson Amorgos</i> Major Claims Fund	3 060 911
<i>Pontoon 300</i> Major Claims Fund	2 337 458

* * *

SCHEDULE I

REPORT ON CONTRIBUTIONS DURING THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2007 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 and for compensation payments and claims related expenditure up to a maximum amount of the Pounds sterling equivalent of 1 million SDR 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 SDR, a Major Claims Fund is established to cover such payments.
- 2 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.
- 3 After the 1971 Fund Convention ceased to be in force on 24 May 2002, contributions can no longer be levied in respect of the General Fund.
- 4 At its session in October 2006 the Administrative Council decided that there should be no levy of 2006 contributions payable in 2007 in respect of the *Vistabella*, *Nissos Amorgos* and *Pontoon 300* Major Claims Funds.
- 5 Based on the advice from the Fund's Greek Lawyer the Director decided to withdraw the proceedings against a Greek contributor on the grounds that the contributor has provided sufficient evidence to support the claim that the oil reports on contributing oil were erroneously completed and submitted.

Pursuant to Financial Regulation 11.5, the Director decided, to write off the outstanding amount of £17 555 being contributions levied in respect of the *Senyo Maru* and the *Sea Prince/Yuil N° 1/Yeo Myung* Major Claims Funds plus interest of £4 440.

In accordance with the Regulation, both the External Auditor and the Audit Body were notified of these write-offs.

- 6 A comprehensive report on the payment of contributions as at 1 October 2007 was submitted to the Administrative Council at its 22nd session (document 71FUND/AC.22/8). The report contained in this schedule is a comprehensive up-date of the earlier reports. No levies were made for 2000 contributions, 2001 contributions, 2002 contributions, 2004 contributions, 2005 contributions and 2006 contributions. An amount of £311 003.42 or 0.08% of the total amount levied over the years remains outstanding as at 31 December 2007 as set out below:

State	1991 £	1992 £	1993 £	1994 £	1995 £	1996 £	1998 £	1999 £	2003 £	Total £
Russian Federation			9 294.93	5 797.90	11 220.31	9 106.23	3 114.52	405.44	5 045.09	43 984.42
USSR	133 207.80								3 257.39	136 465.19
Yugoslavia	88 246.00	39 047.40							3 260.41	130 553.81
	221 453.80	39 047.40	9 294.93	5 797.90	11 220.31	9 106.23	3 114.52	405.44	11 562.89	311 003.42



National Audit Office

**ANNUAL CONTRIBUTIONS OUTSTANDING FOR
PREVIOUS FINANCIAL PERIODS AS AT 31 DECEMBER 2007**

Member State		Assessment £	Receipt £	Outstanding £
Russian Federation	General Fund 1994	2 102.12	0.00	2 102.12
	General Fund 1998	1 339.95	0.00	1 339.95
	<i>Keumdong N°5</i> Major Claims Fund 1993/1994	5 538.51	1 842.73	3 695.78
	<i>Braer</i> Major Claims Fund 1993/1995	19 828.90	4 860.10	14 968.80
	<i>Sea Prince/Yeo Myung/Yuil N°1</i> Major Claims Fund	16 905.19	2 252.52	14 652.67
	<i>Nakhodka</i> Major Claims Fund 1996/1997/1998	12 450.37	10 675.80	1 774.57
	<i>Osung N°3</i> Major Claims Fund 1997/1999/2003	2 129.36	1 321.73	807.63
	<i>Nissos Amorgos</i> Major Claims Fund 2003	2 720.67	0.00	2 720.67
	<i>Vistabella</i> Major Claims Fund 2003	2 568.28	1 936.06	632.22
	<i>Pontoon 300</i> Major Claims Fund 2003	1 290.01	0.00	1 290.01
		66 873.36	22 888.94	43 984.42
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
	<i>Vistabella</i> Major Claims Fund 2003	3 257.39	0.00	3 257.39
		284 104.19	147 639.00	136 465.19
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 263</i> Major Claims Fund	3 685.58	0.00	3 685.58
	<i>Vistabella</i> Major Claims Fund 2003	3 260.41	0.00	3 260.41
		299 050.20	168 496.39	130 553.81
Total		650 027.75	339 024.33	311 003.42

National Audit Office

**ANNUAL CONTRIBUTIONS NOT ASSESSED DUE TO NON-SUBMISSION OF REPORTS ON
CONTRIBUTING OIL RECEIPTS FOR RELEVANT YEAR AS AT 31 DECEMBER 2007**

Bahrain	General Fund	(1998)
	Major Claims Fund	(<i>Pontoon 300</i>)
Guyana	General Fund	(1998)
Mauritania	General Fund	(1996, 1997, 1998)
	Major Claims Funds	(<i>Sea Empress</i> (1996), <i>Nakhodka</i> (1996, 1997, 1998 & 1999), <i>Nissos Amorgos</i> (1997 & 2003), <i>Osung N°3</i> (1997, 1999 & 2003), <i>Pontoon 300</i>)

**INITIAL CONTRIBUTIONS NOT YET ASSESSED DUE TO NON-SUBMISSION BY 31.12.07 OF REPORTS ON
CONTRIBUTING OIL RECEIPTS FOR RELEVANT YEAR**

	<u>Year of joining</u>	<u>Applicable Oil receipt year</u>
Guyana	1998	1997
Mauritania	1996	1995
Panama	1999	1998

* * *

SCHEDULE II

REPORT ON PAYMENT OF CLAIMS FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2007

- 1 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.
- 2 Expenditure incurred by the 1971 Fund during 2007 in respect of various incidents amounted to £513 799 and is made up as follows.

	£
General Fund (see paragraph 3 below)	281 030
<i>Vistabella</i> Major Claims Fund	18 563
<i>Nissos Amorgos</i> Major Claims Fund	1 995
<i>Pontoon 300</i> Major Claims Fund	<u>212 211</u>
	<u>513 799</u>

- 3 Included in the amount set out in paragraph 2 in respect of the General Fund are expenditures paid in respect of four incidents after the Major Claims Funds set up for those incidents had been closed as detailed below.

	£
<i>Sea Empress</i>	2 000
<i>Braer</i>	2 491
<i>Haven</i>	1 374
<i>Aegean Sea</i>	<u>203 106</u>
	<u>208 971</u>

- 4 In general, the position as at 31 December 2007 was as follows:

Incident	Year	Compensation/ Indemnification £	Fees and related costs £	Other Costs £	Total £
1 <i>Vistabella</i>	2007	-	18 506	57	18 563
	2006	-	16 351	51	16 402
	2005	-	-	-	-
	2004	-	14 372	2 192	16 564
	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	114 596	193 349	1 310 457

Incident	Year	Compensation/ Indemnification £	Fees and related costs £	Other Costs £	Total £
2 <i>Iliad</i>	2007	-	40 078	-	40 078
	2006	-	103 735	-	103 735
	2005	-	2 373	-	2 373
	2004	-	8 191	-	8 191
	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	-	196 818	125	196 943
3 <i>Nissos Amorgos</i>	2007	-	1946	49	1 995
	2006	-	21 482	2 317	23 799
	2005	15 764	34 873	48	50 685
	2004	4 716 093	104 799	44 073	4 864 965
	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	10 979 550	1 227 070	184 141	12 390 761
4 <i>Plate Princess</i>	2007	-	4 787	28	4 815
	2006	-	9 330	-	9 330
	2005	-	2 714	-	2 714
	2000	-	-	-	-
	1999	-	8 951	15	8 966
	1998	-	8 739	49	8 788
	1997	-	12 650	145	12 795
	Total to date	-	47 171	237	47 408
5 <i>Katja</i>	2007	-	7 928	49	7 977
	2006	-	2 922	14	2 936
	2005	-	6 853	22	6 875
	2004	-	4 810	-	4 810
	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	-	27 258	2 243	29 501

Incident	Year	Compensation/ Indemnification £	Fees and related costs £	Other £	Total £
6 <i>Pontoon 300</i>	2007	209 105	2 951	155	212 211
	2006	224 052	52 135	102	276 289
	2005	-	41 114	68	41 182
	2004	-	72 012	14 746	86 758
	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	1 250 365	611 519	72 947	1 934 831
Kriti Sea	2007	-	6 379	-	6 379
	2006	-	1 303	-	1 303
	2005	-	36 538	-	36 538
	2004	-	15 803	-	15 803
	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	-	220 279	19	220 298
8 <i>Al Jaziah 1</i> (Joint incident - 50% 1992 Fund)	2007	-	12 797	13	12 810
	2006	-	9 199	17	9 216
	2005	-	10 785	1 871	12 656
	2004	-	9 142	1 507	10 649
	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	103 986	7 723	677 875
9 <i>Alambra</i>	2007	-	-	-	-
	2006	-	756	9	765
	2005	-	3 502	9	3 511
	2004	-	16 284	22	16 306
	2003	-	81 872	1 067	82 939
	2002	-	69 646	2 017	71 663
	Total to date	-	172 060	3 124	175 184

* * *

SCHEDULE III

DETAILS OF CONTINGENT LIABILITIES OF THE 1971 FUND AS AT 31 DECEMBER 2007

- 1 Contingent liabilities represent all known or likely claims against the 1971 Fund as at 31 December 2007 as well as an estimate of fees and other costs for 2008 (cf Note 1(f) to the financial statements). The figures are based on information available up to 30 April 2008.
- 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 £38 894 200 with regard to ten incidents as at 31 December 2007.
- 4 Details of the contingent liabilities, given in rounded figures, are set out below.

	Incident	Date	Contingent liabilities at 31.12.07		
			Compensation/ Indemnification £	Other costs £	Total £
1	<i>Vistabella</i>	7.3.91	-	50 000	50 000
2	<i>Aegean Sea</i>	3.12.92	-	250 000	250 000
3	<i>Iliad</i>	9.10.93	6 700 000	50 000	6 750 000
4	<i>Kriti Sea</i>	9.8.96	-	30 000	30 000
5	<i>Nissos Amorgos</i>	28.2.97	29 850 000	50 000	29 900 000
6	<i>Plate Princess</i>	27.5.97	-	50 000	50 000
7	<i>Katja</i>	7.8.97	-	10 000	10 000
8	<i>Pontoon 300</i>	7.1.98	9 200	10 000	19 200
9	<i>Al Jaziah I</i>	24.1.00	-	15 000	15 000
10	<i>Alambra</i>	17.9.00	1 800 000	20 000	1 820 000
TOTAL			38 359 200	535 000	38 894 200

- 5 Of these liabilities, some £44 100 had been liquidated as at 30 April 2008, mainly in respect of the *Iliad* (£17 600), *Kriti Sea* (£10 500) and the *Pontoon 300* incident (£9 250).
- 6 The estimated expenditure under the item 'Other costs' relates to legal and technical costs for the next financial year, ie for 2008. The amounts have been estimated on the basis of the likely volume of work to be carried out in 2008.
- 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 IOPC Funds' Annual Report 2007.

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 €1.25 million (£920 000) paid by the Fund in compensation plus interest. The insurer appealed against the judgement. In 2004 the Court

of Appeal confirmed the judgement. The insurer did not appeal to the Court of Cassation. The 1971 Fund has commenced summary proceedings against the insurer to enforce the judgement. The Fund's contingent liability relates only to legal costs estimated at £50 000.

Aegean Sea

- 9 Six claimants who did not reach agreement with the Spanish Government on the amount of their losses have pursued their claims in the Court of first instance in La Coruna against the Spanish State, the master, the shipowners' insurer, the shipowner and the 1971 Fund for an amount of €3 730 000 (£2.7 million). By December 2007 the Court of first instance had rendered its judgements in respect of all 6 claims. The Court held that the Spanish Government and the Fund had joint liability to the claimants on the grounds that a Royal Decree did not exonerate the 1971 Fund from its responsibility *vis-à-vis* the victims and that the Spanish State had not been authorised by the victims to reach agreement on their claims with third parties. The amounts awarded were considerably lower than those claimed. All parties have appealed against the judgements. The Court of Appeal had rendered six judgements and ordered the provisional execution of four of the judgements. The Spanish Government will, under the agreement with the 1971 Fund, pay any amounts awarded by these judgements. Two of the claimants have requested leave to appeal to the Supreme Court. The 1971 Fund's contingent liability relates to costs estimated at £250 000.

Iliad

- 10 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 owner of a fish farm with a claim of Drs1 044 million or €3 million (£2.2 million) has also interrupted the time-bar period and taken legal action against the 1971 Fund. Although all other claims (a further €6 million (£4.5 million)) have become time-barred *vis-à-vis* the 1971 Fund there is a possibility that the claimants will contest this. The Fund's contingent liability in respect of compensation payments and indemnification is £6 700 000 and other costs, mostly legal are estimated at £50 000.

Kriti Sea

- 11 Most claims have been settled, however three claims are subject of legal proceedings. In March 2006 the Supreme Court reversed the Court of Appeal's decisions, which had upheld these three claims, on the grounds of lack of proper legal reasoning or improper application of the law. The Supreme Court referred these claims back to the Court of Appeal to hear the cases on their merits and quantum. It is not certain that the aggregate amount of the settled claims and the amounts claimed in the pending cases together with the interest which continued to accrue and the costs which might be awarded by the Court, will be below the level at which the 1971 Fund would be called upon to make any payments in respect of compensation or indemnification. The Fund is a defendant in the proceedings, the Fund's lawyers will attend the hearings to protect the Fund's position. The Fund's contingent liability as regards costs is estimated at £30 000.

Nissos Amorgos

- 12 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 compensation up to its limit and indemnification to the shipowner as follows:

	US\$
60 million SDR	83 221 800 ^{<1>}
less shipowner's limitation amount	<u>7 274 268^{<1>}</u>
	75 947 532
less compensation already paid by Fund	<u>18 325 924</u>
	57 621 608
plus indemnification of the shipowner	<u>1 804 894</u>
	59 426 502
	<u>£29 850 000</u>

The Fund's contingent liability as regards costs is estimated at £50 000.

Plate Princess

- 13 At the October 2005 session of the Administrative Council the Venezuelan delegation stated that the claims arising from this incident in the opinion of their legal advisers were not time-barred although the 1971 Fund considered them to be. The Administrative Council considered in February/March 2006 and in May 2006 that the claims were time barred. For the purposes of the Fund's contingent liability it is assumed that the Venezuelan Courts will agree with the 1971 Fund that these claims are time barred and that the Fund will only incur legal costs estimated at £50 000.

Katja

- 14 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

- 15 In October 2006 the Administrative Council authorised the Fund to increase the level of payments from 75% to 100% of all settled claims if a legal action by the Umm Al Quwain Municipality was withdrawn. With the exception of one claim all admissible claims have been settled and paid for a total of Dhs 7.9 million. A further payment of 25%, due to the increase in the level of payments, will be made to the remaining claimant whose claim had been paid at 75% of the approved amount. The 1971 Fund's contingent liability as regards compensation payments is Dhs.66 000 (£9 200) and as regards costs is £10 000. At its October 2007 session the 1971 Fund Administrative Council decided to reimburse £2.2 million to contributors to the *Pontoon 300* Major Claims Fund on 1 March 2008 and to transfer the remaining balance to the General Fund.

Al Jaziah 1

- 16 The *Al Jaziah 1* incident occurred in the United Arab Emirates, which at that time of the incident was a 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 1*, which will give rise to legal costs in 2008 estimated at £15 000.

Alambra

- 17 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

^{<1>}

Conversion into US dollars in accordance with court judgement

(2000)