



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
FUND 1992

ASSEMBLY  
9th session  
Agenda item 10

92FUND/A.9/8  
12 July 2004  
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2003 FINANCIAL STATEMENTS  
AND  
AUDITOR'S REPORT AND OPINION

**Note by the Director**

<b>Summary:</b>	The financial statements and the Auditor's Report and Opinion are set out.
<b>Action to be taken:</b>	Approval of financial statements.

- 1 The financial statements of the 1992 Fund are audited by the Comptroller and Auditor General of the United Kingdom.
- 2 In accordance with Article 29.2(f) of the 1992 Fund Convention, the Director has prepared the financial statements of the 1992 Fund for the financial year 2003. Pursuant to Financial Regulation 13.9, the External Auditor has submitted to the Assembly, through its Chairman, his Report on the audit of the financial statements of the 1992 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 Staff Regulation 26(b) provides that the Director shall establish and operate a Provident Fund to which both the 1992 Fund and staff members shall contribute on such terms and conditions as may be approved by the Assembly. Under Staff Rule VIII.5(g), the auditing of the Provident Fund shall be carried out in conjunction with the annual audit of the accounts of the 1992 Fund.

6 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, Major Claims Funds and Provident Fund 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 *Nakhodka* Major Claims Fund for the financial period 1 January - 31 December 2003

Statement IV.2 Income and Expenditure Account in respect of the *Erika* Major Claims Fund for the financial period 1 January - 31 December 2003

Statement IV.3 Income and Expenditure Account in respect of the *Prestige* Major Claims Fund for the financial period 1 January - 31 December 2003

Statement V Staff Provident Fund Account for the financial period 1 January - 31 December 2003

Statement VI Balance Sheet of the 1992 Fund as at 31 December 2003

Statement VII Cash Flow Statement for the 1992 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 reading of the financial statements.

7 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 1992 Fund as at 31 December 2003

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

9 **Action to be taken by the Assembly**

The Assembly 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 1992

### 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 1992 Convention for any one incident is 135 million Special Drawing Rights (SDR)<sup><1></sup> in respect of incidents occurring before 1 November 2003 and 203 million SDRs for incidents occurring after that date. These amounts include the sum actually paid by the shipowner or his insurer.
- 1.3 The 1992 Fund has an Assembly composed of all Member States and an Executive Committee of 15 Member States elected by the Assembly. The Assembly is the supreme governing body of the Organisation having *inter alia* the responsibility for financial matters. The main function of the Executive Committee is to approve settlement of claims for compensation, when the Director is not authorised to make settlements.
- 1.4 By the end of 2003, 84 States were Members of the 1992 Fund and a further two States had acceded to the 1992 Fund Convention, bringing the number of Member States to 86 by mid 2004 (see page 10).

#### **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 major incidents the Funds and the shipowner's third

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<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.

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 1992 Fund and 1971 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.

### **4 Audit Body**

4.1 At their sessions in October 2002 the governing bodies of the 1992 and 1971 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 in conjunction with the October 2003 session of the Assembly.

### **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 1992 Fund's expenses for the administration of the Organisation, including the 1992 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 1992 Fund does not exceed the Pounds sterling equivalent of 4 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 1992 Fund exceeds 4 million SDR.

5.2 The 1992 Fund is financed by contributions paid by any person who has received in the relevant calendar year in excess of 150 000 tonnes of crude oil or heavy fuel oil (contributing oil) in ports or terminal installations in a Member State after carriage by sea. The levy of contributions is based on reports of oil receipts in respect of individual contributors, which are submitted to the Secretariat by Governments of Member States. Contributions were levied in 2002 for payment in 2003 with respect to the General Fund of £3 million and with respect to the *Erika* Major Claims Funds of £28 million. Details of 2002 contributions levied and outstanding contributions for previous financial periods are provided in **Schedule I**.

5.3 The majority of the 1992 Fund's assets at the end of the 2003 financial period amounting to some £88 million were held in Pounds sterling. In relation to the *Erika* and *the Prestige* incidents, Euros were bought and invested during 2003. Interest on investments during the period amounted to some £5.3 million.

5.4 The *Erika* incident in France in 1999 has resulted in over 7 900 claims for compensation. Although most of these claims have been assessed, there are still a considerable number of claims pending in

the French courts. The *Prestige* incident which occurred off Spain in November 2002 caused serious pollution damage in Spain and France and also affected Portugal and the United Kingdom. This incident has given rise to significant compensation claims and further claims are expected. Considerable progress has been made in respect of other incidents involving the 1992 Fund. The incidents in which the 1992 Fund was involved during 2003 are listed in **Schedule II**.

- 5.5 Claims and claims related expenditure during 2003 totalled some £69.8 million. The payments mainly related to the *Erika* and *Prestige* incidents.
- 5.6 The joint Secretariat's administrative expenses for 2003 amounted to £2 543 795 with the 1992 Fund's share being £2 010 655.
- 5.7 The balance sheet of the 1992 Fund as at 31 December 2003 is reproduced in **Statement VI** of the financial statements. The balances on the General Fund and the *Nakhodka*, *Erika* and *Prestige* Major Claims Funds are given in **Statements III, IV.1, IV.2 and IV.3** respectively. The General Fund balance at the balance sheet date stood at £21 565 602 which is higher than the working capital of £20 million set by the Assembly.
- 5.8 The contingent liabilities as at 31 December 2003 were estimated at over £146 million in respect of 16 incidents as detailed in **Schedule III**.

## **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 1992 Fund Assembly, at its 7th session, and the 1971 Fund Administrative Council, at its 9th session, acting on behalf of the 1971 Fund Assembly, respectively, decided that the cost of running the joint Secretariat should, for the period 1 January to 31 December 2003, be distributed with 80% paid by the 1992 Fund and 20% paid by the 1971 Fund (documents 92FUND/A.7/29, paragraph 24 and 71FUND/AC.9/20, paragraph 17). 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 1992 Fund and the 1971 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 (document 92FUND/A.8/30, paragraph 23 and 71FUND/AC.12/22, paragraph 18).

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

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 were also lower than the budget appropriation.

#### II *General services*

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

#### III *Meetings*

The main expenses 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 1 (Personnel) as decided by the Assembly at its October 2003 session (cf document 92FUND/A.8/30, paragraph 23).

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

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

Statement II provides a summary of the income and expenditure for the 1992 Fund for the financial period 2003.

The total income amounted to £36 594 010 consisting mainly of contribution income and interest on investments, compared to £61 829 215 in 2002.

Total expenditure for the period amounted to £71 952 888 compared to £36 378 016 in 2002. The expenditure in 2003 was mainly for claims related expenditure in respect of the *Erika* and *Prestige* incidents and the 1992 Fund's share of the joint Secretariat costs amounting to £2 010 655.

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)

#### I *Income*

##### (a) Contributions

The levy of 2002 contributions due in 2003 to the General Fund was fixed by the Assembly at its October 2002 session at £3 million for payment by 1 March 2003. The total amount actually levied during the financial period was £2 828 982.

Details of the contributions receivable are given in **Schedule I**.

##### (b) Miscellaneous

The major part of the income under this head consisted of the interest of £925 862 earned on the investment of the assets of the General Fund.

#### II *Expenditure*

The total expenditure was £5 864 964. The major part of the expenditure represents payments made with respect to the balance of the first 4 million SDR payable by the

General Fund with respect to the *Prestige* Major Claims Fund (£3 322 605) and 1992 Fund's share of the costs of running the joint Secretariat (£2 010 655).

III *Excess of expenditure over income*

A deficit of £2 074 469 was recorded for the financial period ended 31 December 2003.

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

I *Income*

(a) Contributions

Details of the contributions receivable are given in **Schedule I**.

(b) Miscellaneous

The major part of the income under this head consists of interest of £1 278 706 realised from the investment of monies received in respect of this Major Claims Fund.

II *Expenditure*

The expenditure on this account in 2003 amounted to £18 475.

III *Excess of income over expenditure*

An excess of £1 320 996 was recorded for the financial period ended 31 December 2003.

6.5 Income and Expenditure Account in respect of the *Erika* Major Claims Funds for the financial period 1 January - 31 December 2003 (**Statement IV.2**)

I *Income*

(a) Contributions

The total amount actually levied during the financial period was £27 999 938.

Details of the contributions receivable are given in **Schedule I**.

(b) Miscellaneous

The major part of the income under this head consists of interest of £3 010 374 realised from the investment of monies received in respect of this Major Claims Fund.

II *Expenditure*

The expenditure on this account in 2003 amounted to £25 885 013.

III *Excess of income over expenditure*

An excess of £5 147 376 was recorded for the financial period ended 31 December 2003.



6.6 Income and Expenditure Account in respect of the *Prestige* Major Claims Funds for the financial period 1 January - 31 December 2003 (Statement IV.3)

I *Income*

The *Prestige* incident occurred on 13 November 2002, after the October 2002 session of the Assembly. The Administrative Council at its first session in May 2003, noting that a Major Claims Fund would need to be established for the *Prestige* incident, decided that expenses relating to the *Prestige* incident over and above the 4 million SDR (£3 369 200) payable from the General Fund should for the period up to 1 March 2004 be financed by loans from the *Nakhodka* Major Claims Fund and, if required and possible, from the General Fund or the *Erika* Major Claims Fund (cf document 92FUND/AC.1/A/ES.7/7, paragraph 5.14).

II *Expenditure*

The expenditure on this account in 2003 amounted to £43 329 266 of which £3 322 605 was the balance payable from the General Fund.

III *Loans*

Loans were taken from the *Nakhodka* Major Claims Fund and General Fund. A deficit of £40 007 044 was recorded for the financial period ended 31 December 2003, including an exchange adjustment of £383.

6.7 Staff Provident Fund Account for the financial period 1 January - 31 December 2003 (Statement V)

I The Assembly decided, at its 2nd session, that the 1992 Fund should establish a Provident Fund (document 92FUND/A.2/29, paragraph 13.6).

II Contributions to the Provident Fund during the financial year, in accordance with Staff Regulation 23(b) and Staff Rule VIII.5, amounted to £333 493 of which £107 164 was the participants' share.

The Provident Fund is invested together with the 1992 Fund's assets. As decided by the 1971 Fund's Executive Committee at its 2nd session, held in March 1980, interest is calculated and fixed monthly by the Director according to investments held during that month. Interest earned on the total Provident Fund was £93 719.

III After the withdrawal of £22 801 in the form of loans under the housing loan scheme and £154 974 on separation, there remained a balance of £1 779 825 on the accounts of staff members as at 31 December 2003.

6.8 Balance Sheet as at 31 December 2003 (Statement VI)

I *Contributions outstanding*

The amount of £71 578 represents the outstanding balances of contributions as summarised in **Schedule I**.

II *Due from Prestige Major Claims Fund*

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)(iv) and 7.2(b)(iii).

An amount of £40 007 044 is due to the General Fund and *Nakhodka* Major Claims Fund which has been reduced by prepaid contributions of £205 930 (see Note 21 to the Financial Statements). The loans including interest as set out in the table below will be reimbursed when contributions to the *Prestige* Major Claims Fund are received.

	Loan £	Interest £	Total £
General Fund	3 000 000	4 932	3 004 932
<i>Nakhodka</i> MCF	36 735 168	60 631	36 795 799

In the context of a consolidated Balance Sheet the amounts due from the *Prestige* Major Claims Fund is treated as an asset to the General Fund and *Nakhodka* Major Claims Fund rather than as a deduction from the accumulated surpluses on the respective Major Claims Funds.

III *Due from HNS Fund*

An amount of £37 511 is due from the Hazardous and Noxious Substances Fund (HNS Fund) (see Note 5 to the Financial Statements).

IV *Due from Supplementary Fund*

An amount of £38 506 is due from the Supplementary Fund (see Note 6 to the Financial Statements).

V *Due to Major Claims Funds*

The balances due to Major Claims Funds are as follows:

	£	
<i>Nakhodka</i> MCF		38 120 339
<i>Erika</i> MCF	67 500 016	

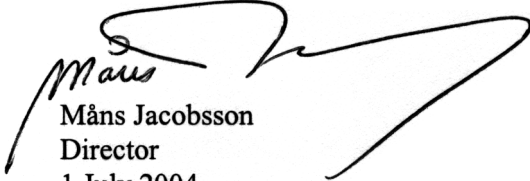
VI An amount of £220 938 represents 2003 annual contributions to the General Fund and *Prestige* Major Claims Funds due by 1 March 2004 but received in 2003 (see Note 21 to the Financial Statements).

VII *General Fund Balance*

The figure of £21 565 602 represents the excess of Income over Expenditure in respect of the General Fund over the years 1996-2003.

6.9 Cash Flow Statement for the financial period 1 January - 31 December 2003 (Statement VII)

During the period ended 31 December 2003, the net cash outflow from operating activities was £40 781 417 (partially offset by the interest from the 1992 Fund's investments amounting to £5 308 839) which resulted in the cash balance reducing from the opening balance of £124 145 243 to £88 672 665 as at 31 December 2003 (see Note 14(a) to the Financial Statements).

  
Måns Jacobsson  
Director  
1 July 2004

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**States Parties to both the  
1992 Protocol to the Civil Liability Convention and the  
1992 Protocol to the Fund Convention**

as at 31 December 2003

<b>84 States for which Fund Protocol is in force</b> <i>(and therefore Members of the 1992 Fund)</i>		
Algeria	Georgia	Panama
Angola	Germany	Papua New Guinea
Antigua and Barbuda	Greece	Philippines
Argentina	Grenada	Poland
Australia	Guinea	Portugal
Bahamas	Iceland	Qatar
Bahrain	India	Republic of Korea
Barbados	Ireland	Russian Federation
Belgium	Italy	Saint Vincent and the Grenadines
Belize	Jamaica	Samoa
Brunei Darussalam	Japan	Seychelles
Cambodia	Kenya	Sierra Leone
Cameroon	Latvia	Singapore
Canada	Liberia	Slovenia
China (Hong Kong Special Administrative Region)	Lithuania	Spain
Colombia	Madagascar	Sri Lanka
Comoros	Malta	Sweden
Congo	Marshall Islands	Tanzania
Croatia	Mauritius	Tonga
Cyprus	Mexico	Trinidad and Tobago
Denmark	Monaco	Tunisia
Djibouti	Morocco	Turkey
Dominica	Mozambique	United Arab Emirates
Dominican Republic	Namibia	United Kingdom
Fiji	Netherlands	Uruguay
Finland	New Zealand	Vanuatu
France	Nigeria	Venezuela
Gabon	Norway	
	Oman	
<i>2 States which have deposited instruments of accession, but for which the Fund Protocol does not enter into force until date indicated</i>		
Ghana		3 February 2004
Cape Verde		4 July 2004

## ANNEX II

# **REPORT OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992 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**

## **EXECUTIVE SUMMARY**

### **Overall results of the audit**

1. I have audited the financial statements of the International Oil Pollution Compensation Fund 1992 (“the 1992 Fund”) in accordance with the Financial Regulations and in conformity 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.
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 1992 Fund's financial statements for the financial period ended 31 December 2003.**

3. Observations arising from the audit are set out below and in the section of this report entitled Detailed Findings.

## **On claims expenditure**

4. Total claims and claims related payments for the 1992 Fund in 2003 amounted to £69.8 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 Claims Handling Offices**

5. Claims Handling Offices were set up in La Coruna, Spain in 2002 and in Bordeaux, France in 2003 to deal with claims for compensation arising from the Prestige incident which occurred in November 2002.
6. By the end of 2003, combined claims payments through these offices totalled only £511. My staff intend to visit these offices in late 2004 to review the operational effectiveness of local procedures and controls over the processing and payment of claims.

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

7. In addition to the substantive audit work on claims and claims related payments mentioned above, 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.
8. They found that satisfactory controls continued to be in place over these systems; and that control procedures had been adhered to in the course of the financial period. Concerning the controls relating to the investment of cash held pending the settlement of claims, my staff confirmed that the Secretariat had adhered to the Fund's declared investment policy, covering the suitability and extent of investment with individual financial institutions.

## **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 resource management and reputational risk. Work is now under way to identify specific risks within 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 organisational risk, represents a significant contribution to the Funds' governance arrangements and to the management of the Funds' operations and resources.

## **In Summary**

12. The Fund's Secretariat is not large and provides a responsible and very effective standard of financial control and management. The results of our audit work for 2003 were wholly satisfactory; and my staff's audit examination serves to provide the Assembly 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**

13. I have audited the financial statements of the International Oil Pollution Compensation Fund 1992 for the financial period ended 31 December 2003. My examination was carried out with due regard to the provisions of the 1992 Protocol to the 1971 Fund Convention and to Regulation 13 of the 1992 Fund's Financial Regulations. The 1992 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**

14. 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 1992 Fund Assembly; whether income and expenditure were properly classified and recorded in accordance with the 1992 Fund's Financial Regulations; and whether the financial statements fairly presented the financial position as at 31 December 2003.

## **Audit standards**

15. My audit of the 1992 Fund's 2003 financial statements was carried out 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. These standards require me to plan the audit so as to obtain reasonable assurance that the 1992 Fund's financial statements are free of material misstatement.

## **Audit approach**

16. 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 1992 Fund's accounting records and were fairly presented.

17. 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 1992 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 1992 Fund's accounting records and were fairly presented.

18. These audit procedures are designed primarily for the purpose of forming an opinion on the 1992 Fund's financial statements. Consequently, my work did not involve a detailed review of all aspects of the 1992 Fund's budgetary and financial information systems and the results should not be regarded as a comprehensive statement on them.

## **Reporting**

19. 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 Assembly 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**

20. 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 have placed an unqualified audit opinion on the 1992 Fund's financial statements for the financial period ended 31 December 2003.

## **DETAILED FINDINGS**

### **Claims expenditure**

21. Total claims and claims-related payments for the 1992 Fund in 2003 amounted to £69.8 million (£34.7 million in 2002) and were almost entirely in respect of the Prestige and Erika incidents (62 per cent and 37 per cent respectively).
22. 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.
23. Furthermore, my staff carried out a review of the claims to ensure that all had been treated in accordance with the 1992 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.
24. Overall, my staff found that payments had been properly supported; and that related claims had been processed in accordance with Regulations and settled promptly.

### **Claims Handling Offices**

25. Claims Handling Offices were set up in La Coruna, Spain in 2002 and in Bordeaux, France in 2003 to deal with claims for compensation arising from the Prestige incident which occurred in November 2002.
26. By the end of 2003 claims totalling £379 million and £5.1 million respectively had been submitted. However, combined payments of just £511 had been made through these offices as those payments that had been required up to then had been made via the Fund's London office. My staff plan to visit these Offices in late 2004 to review whether satisfactory local procedures and controls have been established for the processing and payment of claims and to review their operational effectiveness.

### **Financial controls at the Fund's Secretariat**

27. As part of the 2003 audit, my staff reviewed the main financial control systems at the 1992 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.
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 the settlement of claims, the 1992 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 to hold the Fund's investments.
30. My staff reviewed recommendations made by the Investment Advisory Body to the Fund and tested a sample of the investments held by the 1992 Fund. They confirmed that the investments had been handled in accordance with the declared investment policy.

### **New Major Claims Fund**

31. During 2003, expenditure on the Prestige incident exceeded 4 million in Special Drawing Rights and a Major Claims Fund was initiated.
32. My staff verified that a Major Claims Fund account had been properly established; and also verified the payment of £39,914,906 to the Spanish Government authorised by the 8<sup>th</sup> Session of the Assembly.

### **The work of the Audit Body**

33. As noted in my last 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.

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.

## **Other financial matters**

### ***Control of Supplies and Equipment***

38. Note 14 (b) to the financial statements reports the value of supplies and equipment as £372,589 at 31 December 2003. In accordance with the stated accounting policies, purchases of equipment, furniture, office machines, supplies and library books are not included in the 1992 Fund’s balance sheet but are charged as expenses when purchased.

39. My staff carried out a test examination of the existence and valuation of supplies and equipment under Financial Regulation 13.16(d). As a result of this review, I am satisfied that the supplies and equipment records as at 31 December 2003 properly reflected the assets held by the 1992 Fund. No losses were reported by the Fund during the year.

### ***Amounts Written Off and Fraud***

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

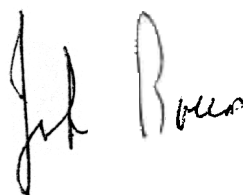
## ANNEX II

### FOLLOW UP TO THE PREVIOUS YEAR'S AUDIT ISSUES

41. In my 2002 Report, I reported on my staff's audit of claims expenditure; their audit visit to the Lorient claims handling office; the operation of financial controls; global settlements; and the new Audit Body. There are no matters arising that are not covered in my present report.

### ACKNOWLEDGEMENT

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

A handwritten signature in black ink, appearing to read 'John Bourn', is centered on the page.

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

**FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL  
POLLUTION COMPENSATION FUND 1992 FOR THE YEAR  
ENDED 31 DECEMBER 2003**

**OPINION OF THE EXTERNAL AUDITOR**

**To: the Assembly of the International Oil Pollution Compensation  
Fund 1992**

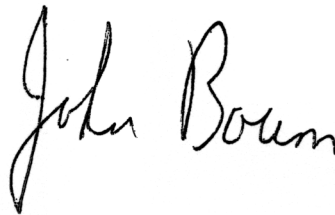
I have audited the appended financial statements, comprising Statements I to VII, Schedules I to III and Notes, of the International Oil Pollution Compensation Fund 1992 for the year ended 31 December 2003. These financial statements are the responsibility of the Director. My responsibility is to express 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 1992 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 1992 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 Regulations 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 1992  
FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2003**

## CONTENTS

## Page No.

### STATEMENTS

Statement I	Statement of Budget Appropriations and Obligations Incurred in respect of the General Fund for the financial period 1 January - 31 December 2003	4
Statement II	Summary of Income and Expenditure Account in respect of the General Fund, Major Claims Funds and Provident Fund for the financial period 1 January - 31 December 2003	5
Statement III	Income and Expenditure Account in respect of the General Fund for the financial period 1 January - 31 December 2003	6
Statement IV.1	Income and Expenditure Account in respect of the <i>Nakhodka</i> Major Claims Fund for the financial period 1 January - 31 December 2003	7
Statement IV.2	Income and Expenditure Account in respect of the <i>Erika</i> Major Claims Fund for the financial period 1 January – 31 December 2003	8
Statement IV.3	Income and Expenditure Account in respect of the <i>Prestige</i> Major Claims Fund for the financial period 1 January – 31 December 2003	9
Statement V	Staff Provident Fund Account for the financial period 1 January – 31 December 2003	10
Statement VI	Balance Sheet of the 1992 Fund as at 31 December 2003	11
Statement VII	Cash Flow Statement for the 1992 Fund for the financial period 1 January – 31 December 2003	12

NOTES TO FINANCIAL STATEMENTS	13-20
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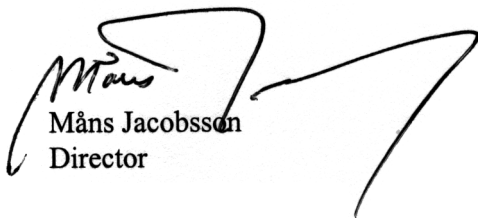
### SCHEDULES

Schedule I	Report on Contributions during the financial period 1 January – 31 December 2003 and on contributions outstanding for previous financial periods	21-25
Schedule II	Report on Payment of Claims for the financial period 1 January – 31 December 2003	26-27
Schedule III	Details of Contingent Liabilities of the 1992 Fund as at 31 December 2003	28-31



**CERTIFICATION OF THE FINANCIAL STATEMENTS**

The appended financial statements numbered I to VII 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	
		£	£	£	£	£	£	£	£	£	£	
<b>SECRETARIAT</b>												
<b>I</b>	<b>PERSONNEL</b>											
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
			<b>1 834 157</b>	<b>1 727 213</b>	<b>1 818 218</b>	<b>1 727 213</b>	<b>1 546 914</b>	<b>1 492 950</b>	<b>271 304</b>	<b>234 263</b>	<b>1 237 531</b>	<b>309 383</b>
<b>II</b>	<b>GENERAL SERVICES</b>											
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
			<b>667 200</b>	<b>649 450</b>	<b>667 200</b>	<b>649 450</b>	<b>537 953</b>	<b>520 430</b>	<b>129 247</b>	<b>129 020</b>	<b>435 683</b>	<b>102 270</b>
<b>III</b>	<b>MEETINGS</b>		<b>126 500</b>	<b>126 500</b>	<b>126 500</b>	<b>126 500</b>	<b>111 913</b>	<b>114 685</b>	<b>14 587</b>	<b>11 815</b>	<b>100 433</b>	<b>11 480</b>
<b>IV</b>	<b>TRAVEL</b>											
	Conferences, seminars and missions		70 000	70 000	70 000	70 000	58 056	66 328	11 944	3 672	46 445	11 611
<b>V</b>	<b>MISCELLANEOUS EXPENDITURE</b>											
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
			<b>255 000</b>	<b>183 500</b>	<b>270 939</b>	<b>183 500</b>	<b>270 939</b>	<b>183 430</b>	<b>-</b>	<b>70</b>	<b>176 147</b>	<b>94 792</b>
<b>VI</b>	<b>UNFORESEEN EXPENDITURE</b>		<b>60 000</b>	<b>60 000</b>	<b>60 000</b>	<b>60 000</b>	<b>18 020</b>	<b>6 028</b>	<b>41 980</b>	<b>53 972</b>	<b>14 416</b>	<b>3 604</b>
<b>TOTAL I - VI</b>			<b>3 012 857</b>	<b>2 816 663</b>	<b>3 012 857</b>	<b>2 816 663</b>	<b>2 543 795</b>	<b>2 383 851</b>	<b>469 062</b>	<b>432 812</b>	<b>2 010 655</b>	<b>533 140</b>
<b>VII</b>	<b>WINDING UP 1971 FUND</b>		<b>250 000</b>	<b>250 000</b>	<b>250 000</b>	<b>250 000</b>	<b>-</b>	<b>16 000</b>	<b>250 000</b>	<b>234 000</b>	<b>-</b>	<b>-</b>

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.3 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	Nakhodka	Erika	Prestige	Provident Fund	Total	Total
	£	£	£	£	£	£	£
<b>INCOME</b>							
<b>Contributions</b>							
Contributions & adjustments to prior years' assessment	2 840 130	-	27 999 938	-	333 493	31 173 561	41 180 400
<b>Miscellaneous</b>							
Sundry income/ repayment of housing loan	680	-	-	-	11 245	11 925	8 842
Interest on loans	6 885	60 631	-	-	-	67 516	611
Interest on overdue contributions	10 136	134	22 077	-	-	32 347	39 340
Interest on investments	925 862	1 278 706	3 010 374	-	93 719	5 308 661	4 327 836
Recovery as a result of global settlement	-	-	-	-	-	-	16 272 186
	<b>943 563</b>	<b>1 339 471</b>	<b>3 032 451</b>	-	<b>104 964</b>	<b>5 420 449</b>	<b>20 648 815</b>
<b>Total income</b>	<b>3 783 693</b>	<b>1 339 471</b>	<b>31 032 389</b>	-	<b>438 457</b>	<b>36 594 010</b>	<b>61 829 215</b>
<b>EXPENDITURE</b>							
<b>Secretariat expenses</b>							
Obligations incurred	2 010 655	-	-	-	-	2 010 655	1 662 701
<b>Claims</b>							
Compensation	419 882	-	23 218 618	39 914 906	-	63 553 406	29 127 000
Claims related expenses	3 434 427	18 475	2 666 395	91 755	-	6 211 052	5 570 575
Loans/ withdrawals	-	-	-	-	177 775	177 775	17 740
<b>Total expenditure</b>	<b>5 864 964</b>	<b>18 475</b>	<b>25 885 013</b>	<b>40 006 661</b>	<b>177 775</b>	<b>71 952 888</b>	<b>36 378 016</b>
Income less expenditure	(2 081 271)	1 320 996	5 147 376	(40 006 661)	260 682		
Exchange adjustment	6 802	-	(11 120)	(383)	-		
Balance b/f: 1 January	23 640 071	36 799 343	62 363 760	0	1 519 143		
<b>Balance as at 31 December</b>	<b>21 565 602</b>	<b>38 120 339</b>	<b>67 500 016</b>	<b>(40 007 044)</b>	<b>1 779 825</b>		

STATEMENT III

**GENERAL FUND**

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

	Note	2003		2002	
		£	£	£	£
<b>INCOME</b>					
<b>Contributions (Schedule I)</b>					
Contributions		2 828 982		4 874 981	
Adjustment to prior years' assessment	3	11 148		1 034	
			2 840 130		4 876 015
<b>Miscellaneous</b>					
Sundry income	4	680		8 842	
Interest on loan to HNS Fund	5	1 230		611	
Interest on loan to Supplementary Fund	6	723		-	
Interest on loan to <i>Prestige</i> MCF	7	4 932		-	
Interest on overdue contributions	8	10 136		6 874	
Interest on investments	9	925 862		888 964	
			943 563		905 291
Total income			3 783 693		5 781 306
<b>EXPENDITURE</b>					
<b>Secretariat expenses (Statement I)</b>					
Obligations incurred	10		2 010 655		1 662 701
<b>Claims (Schedule II)</b>					
Compensation			419 882		444 012
<b>Claims related expenses (Schedule II)</b>					
Fees		3 381 479		101 718	
Travel		41 915		17 771	
Miscellaneous		11 033		638	
			3 434 427		120 127
Total expenditure			5 864 964		2 226 840
(Shortfall)/excess of income over expenditure			(2 081 271)		3 554 466
Exchange adjustment			6 802		(7)
Balance b/f: 1 January			23 640 071		20 085 612
<b>Balance as at 31 December</b>	23		<b>21 565 602</b>		<b>23 640 071</b>

STATEMENT IV.1

**NAKHODKA MAJOR CLAIMS FUND**

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

	Note	2003		2002	
		£	£	£	£
<b>INCOME</b>					
<b>Contributions (Schedule I)</b>					
Contributions (sixth levy)		-		10 963 750	
			-		10 963 750
<b>Miscellaneous</b>					
Interest on loan to <i>Prestige</i> MCF	7	60 631		-	
Interest on overdue contributions	8	134		13 155	
Less Interest on overdue contributions waived		-		(29)	
Interest on investments	9	1 278 706		950 056	
Recovery as a result of global settlement		-		16 272 186	
			1 339 471		17 235 368
Total income			1 339 471		28 199 118
<b>EXPENDITURE (Schedule II)</b>					
Compensation		-		12 952 288	
Fees		18 456		618 896	
Travel		-		92 111	
Miscellaneous		19		10 975	
Total expenditure			18 475		13 674 270
Excess/(Shortfall) of income over expenditure			1 320 996		14 524 848
Exchange adjustment			-		(58 288)
Balance b/f: 1 January			36 799 343		22 332 783
<b>Balance as at 31 December</b>			<b>38 120 339</b>		<b>36 799 343</b>

STATEMENT IV.2

**ERIKA MAJOR CLAIMS FUND**

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

	Note	2003		2002	
<b>INCOME</b>				£	£
<b>Contributions (Schedule I)</b>					
Contributions (fourth levy)		27 999 938		-	
Contributions (third levy)		-		24 999 978	
			27 999 938		24 999 978
<b>Miscellaneous</b>					
Interest on overdue contributions	8	22 077		19 918	
Less Interest on overdue contributions waived		-		(578)	
Interest on investments	9	3 010 374		2 407 587	
			3 032 451		2 426 927
Total income			31 032 389		27 426 905
<b>EXPENDITURE (Schedule II)</b>					
Compensation		23 218 618		15 730 700	
Fees		2 659 213		4 693 769	
Travel		5 787		21 943	
Miscellaneous		1 395		12 754	
Total expenditure			25 885 013		20 459 166
Excess/(Shortfall) of income over expenditure			5 147 376		6 967 739
Exchange adjustment	11		(11 120)		135 001
Balance b/f: 1 January			62 363 760		55 261 020
<b>Balance as at 31 December</b>			<b>67 500 016</b>		<b>62 363 760</b>

STATEMENT IV.3

**PRESTIGE MAJOR CLAIMS FUND**

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

	Note	2003	
<b>EXPENDITURE (Schedule II)</b>			
Compensation		39 914 906	
Fees		19 385	
Interest on loan from General Fund	7	4 932	
Interest on loan from <i>Nakhodka</i> MCF	7	60 631	
Travel		4 309	
Miscellaneous		2 498	
Total expenditure			40 006 661
(Shortfall)/excess of income over expenditure			(40 006 661)
Exchange adjustment	11		(383)
<b>Balance as at 31 December</b>			<b>(40 007 044)</b>

STATEMENT V

**STAFF PROVIDENT FUND**

RECEIPTS AND PAYMENTS ACCOUNT FOR THE  
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2003

	Note	2003	2002
		£	£
<b>Accounts of staff members as at 1 January</b>		1 519 143	1 114 997
<b>RECEIPTS</b>			
Contributions of staff members	12	107 164	109 552
Contributions of IOPC Funds	12	226 329	231 105
Repayment of housing loan		11 245	-
Interest received	9,13	93 719	81 229
		438 457	421 886
<b>PAYMENTS</b>			
Housing loans		22 801	17 740
Withdrawal on separation		154 974	-
		177 775	17 740
<b>Accounts of staff members as at 31 December</b>		<b>1 779 825</b>	<b>1 519 143</b>



STATEMENT VI

**BALANCE SHEET OF THE 1992 FUND AS AT 31 DECEMBER 2003**

	Note	2003	2002
<b>ASSETS</b>		£	£
Cash at banks and in hand	14	88 672 665	124 145 243
Contributions outstanding	15	71 578	190 472
Interest on overdue contributions	8	11 250	20 629
Due from <i>Prestige</i> MCF to General Fund and <i>Nakhodka</i> MCF	7	40 007 044	-
Due from HNS Fund	5	37 511	26 793
Due from Supplementary Fund	6	38 506	-
Due from 1971 Fund	16	116 525	-
Tax recoverable	17	181 313	298 563
Miscellaneous receivable	18	170 086	111 405
<b>TOTAL ASSETS</b>		<b>129 306 478</b>	<b>124 793 105</b>
<b>LIABILITIES</b>			
Staff Provident Fund	12	1 779 825	1 519 143
Due to 1971 Fund		-	48 072
Accounts payable	19	18 109	8 691
Unliquidated obligations	20	98 261	50 294
Prepaid contributions	21	220 938	351 912
Contributors' account	22	3 388	11 819
Due to <i>Nakhodka</i> MCF		38 120 339	36 799 343
Due to <i>Erika</i> MCF		67 500 016	62 363 760
<b>TOTAL LIABILITIES</b>		<b>107 740 876</b>	<b>101 153 034</b>
<b>GENERAL FUND BALANCE</b>	23	<b>21 565 602</b>	<b>23 640 071</b>
<b>TOTAL LIABILITIES AND GENERAL FUND BALANCE</b>		<b>129 306 478</b>	<b>124 793 105</b>

STATEMENT VII

**CASH FLOW STATEMENT OF THE 1992 FUND  
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2003**

	2003		2002	
	£	£	£	£
Cash as at 1 January		124 145 243		97 863 543
<b>OPERATING ACTIVITIES</b>				
Operating Deficit	(40 839 203)		20 877 152	
Decrease/(Increase) in Debtors	21 093		702 717	
Increase/(Decrease) in Creditors	36 693		373 648	
Net cash flow from operating activities		(40 781 417)		21 953 517
<b>RETURNS ON INVESTMENTS</b>				
Interest on investments	5 308 839		4 328 183	
Net cash inflow from returns on investments		5 308 839		4 328 183
<b>Cash as at 31 December</b>		<b>88 672 665</b>		<b>124 145 243</b>

## NOTES TO FINANCIAL STATEMENTS

### 1 Significant Accounting Policies

In accordance with the 1992 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 1992 Fund, and in compliance with the provisions of the 1992 Fund Convention and the Internal Regulations of the 1992 Fund.

(b) Basis of preparation

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

The financial year is the calendar year.

(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. Therefore, office machines, furniture and other supplies are not shown as assets in the Balance Sheet.

(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. Expenses up to 4 million Special Drawing Rights (SDRs) in respect of any one incident are charged to the General Fund in accordance with Financial Regulation 7.1(c)(i), and expenses over that amount in respect of any one incident are charged 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. These contingent liabilities represent all known or likely claims against the 1992 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 1992 Fund Convention, be met from contributions levied by the Assembly.

(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 1992 Fund's assets include the assets of the Staff Provident Fund and the Contributors' account, which are merged with the 1992 Fund's assets for investment purposes, in order to obtain the best interest rates which only the substantial amounts held by the 1992 Fund can attract.

During 2003 a minor part of the investments held were in currencies other than Pounds sterling. Investments were held in Euros in respect of the *Erika* Major Claims Fund and the *Prestige* Major Claims Funds. The interest earned on Euro investments in respect of the *Erika* incident are credited directly to the *Erika* Major Claims Fund. Based on the decision by the Administrative Council at its first session in May 2003, the *Prestige* Major Claims Fund took loans from the *Nakhodka* Major Claims Fund and the General Fund to purchase the Euros for payment of claims arising from that incident. The interest earned on these investments have been credited directly to the *Nakhodka* Major Claims Fund and the General Fund (cf document 92FUND/AC.1/A/ES.7/7, paragraph 5.14).

(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)(iv) and 7.2(b)(iii).

Interest on any loan made is calculated at a preferential rate above the lowest London clearing bank base rate.

(j) Translation of currencies

The majority of the 1992 Fund's assets and liabilities at the end of the financial period 2003 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 the *Erika* Major Claims Fund and the *Prestige* Major Claims

Fund, Euros were bought for 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 deposits are credited or debited to the respective Major Claims Fund.

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 transaction. Compensation payments made in respect of the *Erika* incident and the *Prestige* incident in Euros 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 Assembly in the Director's Comments on Financial Statement I. Within the authority of Financial Regulation 6.3 three transfers were made within Chapters, namely:

Chapter	Transfer from appropriation	Transfer to appropriation	Amount £
	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 Assembly (document 92FUND/A.8/30, paragraph 23 and 71FUND/AC.12/22, paragraph 18).

Chapter	Transfer from appropriation	Chapter	Transfer to appropriation	Amount £
	Salaries	V	Audit Body	15 939

## 3 Adjustments to prior years' assessments

Contributions levied on the basis of reports on contributing oil receipts in previous years are set out below:

	State	Contributions levied £	Reason for levy
General Fund	Argentina	9 711	Oil report received late
General Fund	Kenya	1 437	Oil report received late

## 4 Sundry income

The figure of £680 comprises of payment of fees for participation in a seminar and proceeds from the sale of office machinery.

## 5 Due from the International Hazardous and Noxious Substance Fund

At its October 2001 session the Assembly granted an appropriation of £150 000 for the development of a system in the form of a website or CD-Rom to assist States and potential contributors in the identification and reporting of contributing cargo under the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, 1996 (HNS Convention), provided that the costs incurred would be reimbursed to the 1992 Fund by the Hazardous and Noxious Substances Fund (HNS Fund) when the HNS Convention entered into force. The related costs would be paid from the General Fund (see document 92FUND/A.6/28, paragraphs 28.5 and 28.6).

The figure of £1 230 in Statement III represents interest due on loans of £35 670 made in 2002 and 2003 by the General Fund to the HNS Fund. This amount includes loans totalling £9 488 from the General Fund made during the financial period 2003. The total amount due from the HNS Fund, including cumulative interest, is £37 511.

## **6 Due from the Supplementary Fund**

At its 6th extraordinary session held in April /May 2002, the Assembly decided to make available to IMO funds to finance a Diplomatic Conference in the Spring of 2003 for the adoption of a Protocol establishing a Supplementary Fund (the ensuing costs estimated by IMO at £56 500) on the understanding that the amount paid to IMO would be reimbursed, with interest, to the 1992 Fund by the Supplementary Fund when the Protocol establishing that Fund had entered into force (cf document 92FUND/A/ES.6/10, paragraphs 6.11). A Protocol establishing such a Supplementary Fund was adopted in May 2003.

The figure of £723 in Statement III represents interest due on loan of £37 783 made in 2003 by the General Fund to the Supplementary Fund.

## **7 Due from the Prestige Major Claims Fund**

The Administrative Council, acting on behalf of the Assembly, at its first session in May 2003 noted that a Major Claims Fund would need to be established in respect of the *Prestige* incident. The Council decided that the expenses relating to the *Prestige* incident over and above the 4 million SDR payable from the General Fund should be financed by loans from the *Nakhodka* Major Claims Fund and, if required and possible, from the General Fund or the *Erika* Major Claims Fund (cf document 92FUND/AC.1/A/ES.7/7, paragraph 5.14).

The interest amount of £4 932 in Statements III and IV.3 represents interest calculated on loans of £3 000 000 made in 2003 by the General Fund to the *Prestige* Major Claims Fund.

The amount of £60 631 in Statements IV.1 and IV.3 represents interest calculated in accordance with Financial Regulation 7.2(b)(iii) on loans of £36 735 168 made in 2003 by the *Nakhodka* Major Claims Fund to the *Prestige* Major Claims Fund.

The total amount due from the *Prestige* Major Claims Fund including interest will be repaid to the General Fund and to the *Nakhodka* Major Claims Fund on receipt of the contributions in March 2004.

## **8 Interest on overdue contributions**

Interest is charged at 2% above the lowest London clearing bank base rate on unpaid contributions from the date on which payment is due, in accordance with Article 13.1 of the 1992 Fund Convention and Internal Regulation 3.9.

Contributions outstanding are treated as assets in the balance sheet (see Note 15).

Interest is charged on contributions outstanding for the whole period that they remain outstanding.

The accounting policy, however, is to recognise this interest as income only in the year in which the outstanding contribution is finally paid (see Note 1(g)). Consequently, the contributions outstanding figure excludes any interest receivable.

Only when an outstanding contribution is paid, is an invoice raised in respect of the corresponding interest and the interest income accounted for. This interest receivable is shown as an asset on the balance sheet (interest on overdue contributions) until it is received.

## 9 Interest on investments

As at 31 December 2003 the 1992 Fund's portfolio of investments comprised of the 1992 Fund's term and bank deposits (the General Fund, the Contributors' Account, the *Nakhodka* Major Claims Fund and the *Erika* Major Claims Fund) of £86 892 840, and the Staff Provident Fund's assets of £1 779 825. In relation to the *Erika* and *Prestige* Major Claims Funds investments were also held in Euro, and these investments are included in the sum of £86 892 840. The distribution of the deposits is set out in Note 14.

Interest received in 2003 on the investments amounted to £5 308 839. This amount is distributed as follows:

	£
General Fund	925 862
Contributors' account	178
<i>Nakhodka</i> Major Claims Fund	1 278 706
<i>Erika</i> Major Claims Fund	3 010 374
Staff Provident Fund	<u>93 719</u>
	<u>5 308 839</u>

## 10 Obligations incurred

The figure of £2 010 655 represents the 1992 Fund's share of running the joint Secretariat. (see Statement I)

In accordance with the 1992 and the 1971 Fund governing bodies' decisions, the cost of running the joint Secretariat for the period 1 January - 31 December 2003 has been distributed with 80% paid by the 1992 Fund and 20% by the 1971 Fund (documents 92FUND/A.7/29, paragraph 24 and 71FUND/AC.9/20, paragraph 17); 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 80:20 apportionment are as follows. The appropriation for Public information (Chapter II) has been split 80:20 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 1992 and the 1971 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 Investment Advisory Body (Chapter V) and for the Audit Body (Chapter V) have been apportioned equally between the 1992 Fund and the 1971 Fund. The costs for External Audit (Chapter V) have been charged separately for each Fund.

## 11 Exchange adjustment

As indicated in Note 1(j) above, currencies other than pounds sterling were held during 2003 for the *Erika* and the *Prestige* Major Claims Funds. There was an exchange loss of £11 120 from currency revaluation of Euros held in London and Lorient with respect to the *Erika* Major Claims Fund and an exchange loss of £383 from currency revaluation of Euros held in London and Madrid with respect to the *Prestige* Major Claims Funds. Any gain or loss on the funds held by the respective Major Claims Fund has been credited or debited to that Fund.

## 12 Staff Provident Fund

The rate of contribution for staff members is 7.9% of their respective pensionable remuneration and for the 1992 Fund 15.8% of that remuneration, pursuant to Staff Rule VIII.5(b) (see Statement V).

## 13 Interest received in 2003 on the Staff Provident Fund

The interest relating to the period from 1 January to 31 December 2003 was £93 719. The basis of calculation of the interest on the Staff Provident Fund is that laid down by the 1971 Fund

Executive Committee at its 2nd session (Record of Decisions, document FUND/EXC.2/6, item 6).

The Provident Fund is invested together with the 1992 Fund's assets. Interest is calculated and fixed monthly by the Director according to investments held during that month.

14

**Assets**

(a) **Cash at bank and in hand**

The amount of £88 672 665 was held in various financial institutions and accounts as follows:

**Time deposit accounts**

	£	£
<b><u>Pounds sterling</u></b>		
ABN Amro	11 900 000	
Alliance & Leicester Group Treasury plc	2 000 000	
Bank of Ireland	6 000 000	
Danske Bank	5 500 000	
DePfa Bank plc	6 000 000	
Deutsche Bank AG	2 700 000	
Dexia Banque à Luxembourg	2 500 000	
HSBC Bank	3 500 000	
HSH Nordbank	12 000 000	
Landesbank Berlin	4 000 000	
Landesbank Baden-Württemberg	7 250 000	
Svenska Handelsbanken	8 400 000	
UniCredito Italiano SpA	<u>10 750 000</u>	
		82 500 000
<b><u>Foreign Currency Deposits</u></b>		
<i>Erika</i> Major Claims Fund	2 787 647	
<i>Prestige</i> Major Claims Fund	<u>243 039</u>	
		3 030 686
<b><u>Current and call deposits accounts</u></b>		
Bank of Scotland	2 787 467	
Barclays Bank plc - £ Business Premium/ Current a/cs	344 387	
The Bank of Tokyo-Mitsubishi Ltd - Current a/c	9 700	
Petty cash imprest a/c	<u>425</u>	
		<u>3 141 979</u>
		<u>88 672 665</u>

(b) **Office machines, furniture and other supplies**

As mentioned under the Significant Accounting Policies (Note 1, item (c)), office machines, furniture and other supplies are not shown as assets in the Balance Sheet.

As at 31 December 2003 the purchase value of these supplies and equipment, including furniture and equipment purchased during 2003, amounts to £372 589 made up as follows:



	Office equipment £	Office furniture £	Library £
Balance b/f	201 242	125 039	15 115
Additions in 2003	34 988	3 734	781
Less disposals/ adjustments in 2003	(8 018)	(292)	-
Balance c/f	228 212	128 481	15 896

**15 Contributions outstanding**

Outstanding contributions due to the 1992 Fund as at 31 December 2003 totalled £71 578. A report on contributions outstanding for previous financial years is provided in Schedule I.

**16 Payment due from 1971 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 by the 1992 Fund to the 1971 Fund for the financial year 2002 was paid by the 1992 Fund on 12 August 2003.

**17 Tax recoverable**

The amount of £181 313 is made up as follows:

		£
Due from the United Kingdom Government	VAT	76 775
	Insurance Premium Tax / Airport Departure Tax	3 024
Due from the French Government	TVA	101 514
Total		181 313

**18 Miscellaneous receivable**

The amount of £170 086 consists of the following:

- (a) £90 200 due from the United Kingdom Government being the refund of 80% of the rent relating to the IOPC Funds' offices in Portland House;
- £4 296 due from staff members and travel agent in relation to travel in 2003;
- (c) £2 642 representing salary advances to be reimbursed by staff members in 2003 under Staff Rule IV.11;
- £14 865 paid to BUPA for 2004 subscriptions to the health insurance scheme, 50% of which will be reimbursed by staff members and 50% to be charged to 2004 expenditure;

- (e) £57 743 refund of bank charges from Barclays Bank plc on payment in Euro in respect of the *Prestige* incident; and
- (f) £340 due from BUPA for cancellation of a staff membership.

**19 Accounts payable**

The amount of £18 109 consists of the following:

- (a) £460 due to web domain provider;
- (b) £8 527 payable for staff accident insurance cover;
- (c) £3 395 being National Insurance Contributions payable in January 2004; and
- (d) £5 727 representing amounts due to staff members and Company Barclaycard for travel expenses.

**20 Unliquidated obligations**

The figure of £98 261 is made up of obligations incurred in 2002 (£11 793) and 2003 (£86 468) but unliquidated at 31 December 2003.

The unliquidated obligations consist of the following amounts:

- (a) £52 488 due to the International Maritime Organization (IMO) in respect of interpreter fees, rent and hospitality;
- (b) £19 000 in relation to costs relating to the staff entitlements and separation; and
- (c) £26 773 for miscellaneous supplies.

**21 Prepaid contributions**

The amount of £220 938 represents 2003 contributions, due by 1 March 2004 but received in 2003, in respect of Argentina as set out below:

General Fund £	<i>Prestige</i> MCF £	Total £
15 008	205 930	220 938

**22 Contributors' account**

The amount of £3 388 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 £178 credited in 2003 to contributors as provided in Internal Regulation 3.10.

**23 General Fund Balance**

The figure of £21 565 602 represents the excess of Income over Expenditure in respect of the General Fund over the years.

The balance is higher than the working capital, which at 31 December 2003 was £20 million, as decided by the Assembly.

\* \* \*

## 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 1992 Fund's expenses for the administration of the 1992 Fund Secretariat and for claims expenditure for incidents involving the 1992 Fund to the extent that the aggregate amount payable by the 1992 Fund for each incident does not exceed the Pounds sterling equivalent of 4 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 1992 Fund in excess of 4 million SDRs, a Major Claims Fund is established to cover such payments.

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 1992 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 1992 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** Ten States became Members of the 1992 Fund in 2003: Brunei Darussalam, Congo, Gabon, Guinea, Madagascar, Mozambique, Namibia, Nigeria, Samoa and Tanzania, resulting in 84 States being Members of the 1992 Fund as at 31 December 2003.
- 3** A comprehensive report on the payment of contributions as at 26 September 2003 was submitted to the Assembly at its 8th session (document 92FUND/A.8/11).
- 4** The report contained in this schedule is a comprehensive up-date of the earlier reports. The outstanding balances of contributions as at 31 December 2003, by Member State, can be summarised as follows:

State	Contribution Year						Total Previous Years	2002 £	Total £
	1996 £	1997 £	1998 £	1999 £	2000 £	2001 £			
Algeria							-	7 877.10	7 877.10
Belgium						3 039.37	3 039.37	2 994.71	6 034.08
Denmark							-	9 827.31	9 827.31
Germany	2 305.55	1 888.58	11 528.64	9 622.30	8 380.17	6 788.09	40 513.33	4 849.59	45 362.92
Russian Federation						2 476.04	2 476.04	-	2 476.04
	2 305.55	1 888.58	11 528.64	9 622.30	8 380.17	12 303.50	46 028.74	25 548.71	71 577.45

**GENERAL FUND AS AT 31.12.2003**  
**2002 CONTRIBUTIONS due in 2003**  
**(based on 2001 oil reports)**

State	Assessment £	Receipt £	Outstanding £	% Paid
<1> Angola	-	-	-	-
<2> Antigua and Barbuda	-	-	-	-
Argentina	26 510.67	26 510.67	0.00	100.00
<1> Algeria	-	-	-	-
Australia	71 793.97	71 793.97	0.00	100.00
Bahamas	4 085.25	4 085.25	0.00	100.00
<1> Bahrain	-	-	-	-
Barbados	386.63	386.63	0.00	100.00
<3> Belgium	20 020.10	17 025.39	2 994.71	85.04
<2> Belize	-	-	-	-
<1> Cambodia	-	-	-	-
Cameroon	791.85	791.85	0.00	100.00
Canada	135 961.38	135 961.38	0.00	100.00
China(HKSAR)	7 926.47	7 926.47	0.00	100.00
<1> Comoros	-	-	-	-
Colombia	268.25	268.25	0.00	100.00
Croatia	7 462.73	7 462.73	0.00	100.00
Cyprus	4 704.36	4 704.36	0.00	100.00
Denmark	13 034.23	12 021.57	1 012.66	92.23
<1> Djibouti	-	-	-	-
<1> Dominica	-	-	-	-
<1> Dominican Republic	-	-	-	-
<2> Fiji	-	-	-	-
Finland	24 841.66	24 841.66	0.00	100.00
France	237 793.34	237 793.34	0.00	100.00
<1> Georgia	-	-	-	-
Germany	87 163.05	86 647.04	516.01	99.41
Greece	50 633.67	50 633.67	0.00	100.00
<1> Grenada	-	-	-	-
<2> Iceland	-	-	-	-
<4> India	-	-	-	-
Ireland	11 591.32	11 591.32	0.00	100.00
Italy	309 879.98	309 879.98	0.00	100.00
Jamaica	6 581.24	6 581.24	0.00	100.00
Japan	588 543.73	588 543.73	0.00	100.00
<3> Kenya	634.57	634.57	0.00	100.00
<2> Latvia	-	-	-	-
<2> Liberia	-	-	-	-
<2> Lithuania	-	-	-	-
Malta	2 820.36	2 820.36	0.00	100.00
<2> Marshall Islands	-	-	-	-
<2> Mauritius	-	-	-	-
Mexico	26 458.58	26 458.58	0.00	100.00
<2> Monaco	-	-	-	-
<1> Morocco	-	-	-	-
Netherlands	246 026.79	246 026.79	0.00	100.00
New Zealand	10 818.26	10 818.26	0.00	100.00
Norway	63 744.23	63 744.23	0.00	100.00
<2> Oman	-	-	-	-
<4> Panama	-	-	-	-
<1> Papua New Guinea	-	-	-	-
<3> Philippines	29 592.38	29 592.38	0.00	100.00

State	Assessment £	Receipt £	Outstanding £	% Paid
Poland	2 176.05	2 176.05	0.00	100.00
Portugal	4 881.35	4 881.35	0.00	100.00
Qatar	243.41	243.41	0.00	100.00
Republic of Korea	288 205.98	288 205.98	0.00	100.00
<3/4> Russian Federation	-	-	-	-
<1> Saint Vincent and the Grenadines	-	-	-	-
<2> Seychelles	-	-	-	-
<1> Sierra Leone	-	-	-	-
Singapore	152 005.83	152 005.83	0.00	100.00
<2> Slovenia	-	-	-	-
Spain	138 488.02	138 488.02	0.00	100.00
Sri Lanka	4 855.62	4 855.62	0.00	100.00
Sweden	49 117.12	49 117.12	0.00	100.00
<2> Tonga	-	-	-	-
<4> Trinidad and Tobago	-	-	-	-
Tunisia	7 978.20	7 978.20	0.00	100.00
<4> Turkey	-	-	-	-
<2> United Arab Emirates	-	-	-	-
United Kingdom	164 779.19	164 779.19	0.00	100.00
Uruguay	4 123.83	4 123.83	0.00	100.00
<2> Vanuatu	-	-	-	-
Venezuela	22 057.91	22 057.91	0.00	100.00
Total	2 828 981.56	2 824 458.18	4 523.38	99.84

<1> Reports on contributing oil receipts in 2001 not submitted by 31.12.2003

<2> No liability for 2002 contributions to the *General Fund*

<3> Reports on contributing oil receipts in 2001 for some contributors not submitted

<4> Reports on contributing oil receipts in 2001 submitted late: payment due in 2004

**ERIKA MAJOR CLAIMS FUND AS AT 31.12.2003**  
**2002 CONTRIBUTIONS due in 2003**  
**(based on 1998 oil reports)**

Member State at the time of the <i>Erika</i> incident (12.12.1999)	Assessment £	Receipt £	Outstanding £	% Paid
Algeria	7 877.10	0.00	7 877.10	0.00
Australia	767 584.20	767 584.20	0.00	100.00
Bahamas	117 441.59	117 441.59	0.00	100.00
<1> Bahrain	-	-	-	-
Barbados	3 950.89	3 950.89	0.00	100.00
Belgium	194 253.31	194 253.31	0.00	100.00
<2> Belize	-	-	-	-
Canada	1 160 663.28	1 160 663.28	0.00	100.00
Croatia	83 352.82	83 352.82	0.00	100.00
Cyprus	46 754.09	46 754.09	0.00	100.00
Denmark	165 663.75	156 849.10	8 814.65	94.68
Finland	272 646.02	272 646.02	0.00	100.00
France	2 577 210.87	2 577 210.87	0.00	100.00
Germany	1 702 582.55	1 698 248.97	4 333.58	99.75
Greece	551 404.67	551 404.67	0.00	100.00
<2> Grenada	-	-	-	-
<2> Iceland	-	-	-	-
Ireland	115 341.40	115 341.40	0.00	100.00
Jamaica	62 863.06	62 863.06	0.00	100.00
Japan	6 578 016.13	6 578 016.13	0.00	100.00
<2> Latvia	-	-	-	-
<2> Liberia	-	-	-	-
<2> Marshall Islands	-	-	-	-
Mexico	372 277.28	372 277.28	0.00	100.00
<2> Monaco	-	-	-	-
Netherlands	2 659 163.38	2 659 163.38	0.00	100.00
New Zealand	123 859.14	123 859.14	0.00	100.00
Norway	742 489.53	742 489.53	0.00	100.00
<2> Oman	-	-	-	-
Philippines	417 674.16	417 674.16	0.00	100.00
Republic of Korea	2 996 866.15	2 996 866.15	0.00	100.00
Singapore	1 871 030.03	1 871 030.03	0.00	100.00
Spain	1 577 848.42	1 577 848.42	0.00	100.00
Sweden	524 795.67	524 795.67	0.00	100.00
Tunisia	67 515.09	67 515.09	0.00	100.00
<2> United Arab Emirates	-	-	-	-
United Kingdom	2 003 432.70	2 003 432.70	0.00	100.00
Uruguay	44 649.58	44 649.58	0.00	100.00
Venezuela	190 731.14	190 731.14	0.00	100.00
<b>Total</b>	<b>27 999 938.00</b>	<b>27 978 912.67</b>	<b>21 025.33</b>	<b>99.92</b>

<1> Reports on contributing oil receipts in 1998 not submitted by 31.12.2003

<2> No liability for contributions to the *Erika* Major Claims Fund

**CONTRIBUTIONS OUTSTANDING FOR  
PREVIOUS FINANCIAL PERIODS AS AT 31.12.2003**

**General Fund and Major Claims Funds**

State		Assessment £	Receipt £	Outstanding £
Belgium	General Fund 2001	36 037.33	32 997.96	3 039.37
Germany	General Fund 1997	829 175.34	828 463.38	711.96
	General Fund 1998	477 374.74	475 861.24	1 513.50
	<i>Nakhodka</i> Major Claims Fund 1996	1 032 156.82	1 029 851.27	2 305.55
	<i>Nakhodka</i> Major Claims Fund 1998 1st levy	3 073 613.22	3 066 551.85	7 061.37
	<i>Nakhodka</i> Major Claims Fund 1998 2nd levy	1 285 691.30	1 282 737.53	2 953.77
	<i>Nakhodka</i> Major Claims Fund 1999	1 501 479.89	1 498 030.36	3 449.53
	<i>Nakhodka</i> Major Claims Fund 2000	1 963 467.79	1 958 956.89	4 510.90
	<i>Nakhodka</i> Major Claims Fund 2001	1 270 478.24	1 267 559.42	2 918.82
	<i>Osung N°3</i> Major Claims Fund 1997	512 147.17	510 970.55	1 176.62
	<i>Erika</i> Major Claims Fund 1999	2 425 163.63	2 418 990.86	6 172.77
	<i>Erika</i> Major Claims Fund 2000	1 520 164.21	1 516 294.94	3 869.27
	<i>Erika</i> Major Claims Fund 2001	1 520 164.21	1 516 294.94	3 869.27
			<b>17 411 076.56</b>	<b>17 370 563.23</b>
Russian Federation	General Fund 2001	6 158.35	3 682.31	2 476.04
<b>Total</b>		<b>17 453 272.24</b>	<b>17 407 243.50</b>	<b>46 028.74</b>

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

		<u>Contribution Year</u>	<u>Applicable Oil report year</u>
Bahrain	General Fund	2001	2000
	General Fund	2000	1999
	General Fund	1998	1997
	<i>Erika</i> Major Claims Fund	1999, 2000 & 2001	1998
Comoros	General Fund	2001	2000
Dominican Republic	General Fund	2001	2000
	General Fund	2000	1999
Georgia	General Fund	2001	2000

## SCHEDULE II

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

- 1 Financial Regulation 4.6 requires the Director to maintain a running record of all expenses incurred by the 1992 Fund in respect of each incident giving rise to claims against the Fund.
- 2 Expenditure incurred by the 1992 Fund during 2003 in respect of various incidents amounted to £69 764 458 and is made up as follows:

	£
General Fund	3 854 309
<i>Nakhodka</i> Major Claims Fund	18 475
<i>Erika</i> Major Claims Fund	25 885 013
<i>Prestige</i> Major Claims Fund	<u>40 006 661</u>
	<u>69 764 458</u>

- 3 The General Fund claims related expenditure of £3 854 309 includes an amount of £3 322 605 being the balance payable of the first 4million SDRs (£3 369 200) in respect of the *Prestige* incident.
- 4 In general, the position as at 31 December 2003 can be summarised as follows:

Incident	Year	Compensation £	Fees and related costs £	Other costs £	Total £
1 Incident in Germany	2003	-	18 210	58	18 268
	2002	-	8 896	24	8 920
	2001	-	11 481	1 817	13 298
	2000	-	3 895	8	3 903
	1999	-	10 997	499	11 496
	Total to date	-	53 479	2 406	55 885
2 <i>Nakhodka</i>	2003	-	18 456	19	18 475
	2002	12 952 288	618 896	103 086	13 674 270
	2001	18 501 157	1 875 876	97 173	20 474 206
	2000	24 746 690	2 803 723	41 959	27 592 372
	1999	4 936 220	102 850	2 522	5 041 592
	Total to date	61 136 355	5 419 801	244 759	66 800 915
3 <i>Erika</i>	2003	23 218 618	2 659 213	7 182	25 885 013
	2002	15 730 700	4 693 769	34 697	20 459 166
	2001	9 773 083	4 100 465	62 323	13 935 871
	2000	-	2 252 311	93 137	2 345 448
	1999	-	-	699	699
	Total to date	48 722 401	13 705 758	198 038	62 626 197



<b>Incident</b>	<b>Year</b>	<b>Compensation £</b>	<b>Fees and related costs £</b>	<b>Other costs £</b>	<b>Total £</b>
4 <i>Al Jaziah 1</i>	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	361	23 579
	Total to date	566 166	62 063	4 316	632 545
5 <i>Slops</i>	2003	-	63 228	47	63 275
	2002	-	38 620	23	38 643
	2001	-	9 004	-	9 004
	2000	-	10 938	6	10 944
	Total to date	-	121 790	76	121 866
6 <i>Dolly</i>	2003	-	1 308	16	1 324
	2002	-	-	-	-
	2001	-	2 281	-	2 281
	Total to date	-	3 589	16	3 605
7 <i>Zeinab</i>	2003	77 542	8 614	39	86 195
	2002	418 480	8 482	38	427 000
	2001	-	13 702	23	13 725
	Total to date	496 022	30 798	100	526 920
8 <i>Baltic Carrier</i>	2003	-	-	42	42
	2002	-	-	-	-
	2001	-	860	-	860
	Total to date	-	860	42	902
9 <i>Prestige</i>	2003	39 915 420	3 293 373	120 473	43 329 266
	2002	-	35 969	10 626	46 595
	Total to date	39 915 420	3 329 342	131 099	43 375 861
10 <i>Unknown UK</i>	2003	5 949	-	-	5 949
	Total to date	5 949	-	-	5 949
11 <i>Incident in Bahrain</i>	2003	-	812	-	812
	Total to date	-	812	-	812
12 <i>Kyung Won</i>	2003	-	280	2 293	2 573
	Total to date	-	280	2 293	2 573
13 <i>Duck Yang</i>	2003	-	284	2 275	2 559
	Total to date	-	284	2 275	2 559

### SCHEDULE III

#### DETAILS OF CONTINGENT LIABILITIES OF THE 1992 FUND AS AT 31 DECEMBER 2003

- 1 Contingent liabilities represent all known or likely claims against the 1992 Fund as at 31 December 2003 (see Note 1(f) to the Financial Statements). The figures are based on information available up to 30 April 2004.
- 2 There are contingent liabilities of the 1992 Fund estimated at £146 960 200 in respect of sixteen incidents as at 31 December 2003.
- 3 Details of the contingent liabilities, given in rounded figures, are as follows.

	Incident	Date	Contingent liabilities at 31.12.03		
			Compensation £	Other costs £	Total £
1	Incident in Germany	20.6.96	940 000	20 000	<b>960 000</b>
2	<i>Dolly</i>	5.11.99	1 940 000	30 000	<b>1 970 000</b>
3	<i>Erika</i>	12.12.99	67 900 000	3 000 000	<b>70 900 000</b>
4	<i>Al Jaziah 1</i>	24.1.00	0	30 000	<b>30 000</b>
5	<i>Slops</i>	15.6.00	1 640 000	30 000	<b>1 670 000</b>
6	Incident in Spain	5.9.00	4 200	1 000	<b>5 200</b>
7	Incident in Sweden	23.9.00	410 000	10 000	<b>420 000</b>
8	<i>Zeinab</i>	14.4.01	0	20 000	<b>20 000</b>
9	<i>Prestige</i>	13.11.02	64 200 000	4 000 000	<b>68 200 000</b>
10	Incident in Bahrain	15.3.03	600 000	15 000	<b>615 000</b>
11	<i>Buyang</i>	22.4.03	0	20 000	<b>20 000</b>
12	<i>Hana</i>	13.5.03	0	20 000	<b>20 000</b>
13	<i>Victoriya</i>	30.8.03	0	40 000	<b>40 000</b>
14	<i>Duck Yang</i>	12.9.03	0	20 000	<b>20 000</b>
15	<i>Kyung Won</i>	12.9.03	2 000 000	50 000	<b>2 050 000</b>
16	<i>Jeong Yang</i>	23.12.03	0	20 000	<b>20 000</b>
<b>TOTAL</b>			<b>139 634 200</b>	<b>7 326 000</b>	<b>146 960 200</b>

- 4 Out of these contingent liabilities, an amount of £4.8 million had been liquidated as at 30 April 2004. This amount relates mainly to the payment of compensation in respect of the *Erika* and *Kyung Won* incidents and of fees in respect of the *Erika* and *Prestige* incidents.
- 5 The estimated expenditure under the item 'Other costs' relates to legal and technical costs for the next financial year, ie 2004. High amounts of lawyers' and surveyors' fees have been included in the contingent liabilities in respect of the *Erika* and *Prestige* incidents. The amounts have been assessed on the basis of the likely volume of work to be carried out.
- 6 The incidents in respect of which over the years the 1992 Fund has been, or may be, obliged to make payments are set out in the 1992 and 1971 Fund's Annual Report 2003.

### *Incident in Germany*

- 7 As regards the spill from an unknown source in Germany, the German authorities have taken legal action against the owner of the ship suspected of being responsible for the oil spill. The authorities have informed the 1992 Fund that, if their attempts to recover the cost of their clean-up operations from the shipowner were to be unsuccessful, they would claim against the 1992 Fund. In December 2002 a German Court held that the owner of that ship and his insurer were liable for the pollution. The shipowner and the insurer have appealed against the judgement, but the Appellate Court has not yet rendered its judgement.

### *Dolly*

- 8 The French Government intends to take measures to remove the cargo of bitumen from the sunken wreck of the *Dolly*. The ship was not covered by any insurance, and it is unlikely that the shipowner has financial resources to make any compensation payments. In October 2002, the French Government took legal action against the 1992 Fund, indicating that the total claim would exceed € 232 000 (£1 570 000). For the purpose of the contingent liabilities the total compensation arising out of this incident has been estimated at € 750 000 (£1 940 000).

### *Erika*

- 9 The total amount of the claims in respect of the *Erika* incident will exceed the maximum amount available for compensation under the 1992 Conventions (135 million SDR, corresponding to FFr1 211 966 811). The 1992 Fund will be liable to pay compensation over and above the limitation amount applicable to the shipowner under the 1992 Civil Liability Convention, FFr84 247 733. The maximum amount payable by the 1992 Fund in compensation is therefore FFr1 127 719 078 (€171 919 665). The 1992 Fund had as at 31 December 2003 paid FFr 496 million (€75.6 million) in compensation, and its contingent liability for compensation payments is FFr631.7 million or €6.3 million (£67.9 million).

### *Al Jaziah 1*

- 10 The *Al Jaziah 1* incident occurred in the United Arab Emirates, which at the time of the incident was a member of both the 1992 Fund and the 1971 Fund. The 1992 Fund Executive Committee and the 1971 Fund Administrative Council have 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 1992 Fund has taken recourse action against the owner of the *Al Jaziah 1* which will give rise to legal costs in 2004.

### *Slops*

- 11 The Executive Committee decided at its 8th session that the *Slops* should not be considered as a 'ship' for the purpose of the 1992 Civil Liability Convention and the 1992 Fund Convention and that these Conventions therefore did not apply to the incident. Two Greek clean up contractors did not accept the Committee's decision and took legal action against the owner of the *Slops* and the 1992 Fund. In December 2002 a Greek Court of first instance held that the *Slops* fell within the definition of 'ship' and ordered the Fund to pay € 323 360 (£1 637 100) plus interest and costs. The Fund appealed against the judgement. In February 2004 the Court of Appeal held that the *Slops* did not fall within the definition and rejected the claim. It is not yet established whether the claimants will appeal to the Greek Supreme Court. For the purpose of the contingent liabilities, the total compensation arising from the incident has been estimated at £1 640 000.

### *Incident in Spain*

- 12 In the 1992 Fund's view, the ship from which the oil was spilled has been identified as the *Concordia I*. However, the shipowner and his insurer maintain that the oil did not originate from the ship in question. Although any claim against the 1992 Fund is time-barred, for the purpose of

the contingent liabilities, it has been assumed that the 1992 Fund will be called upon to pay the entire compensation claimed, ie € 000 (£4 200).

#### *Incident in Sweden*

- 13 The Swedish authorities have maintained that the polluting oil originated from the vessel *Alambra*, and the 1992 Fund shares this view. The shipowner and his insurer have insisted that this was not the case. The Swedish Government has taken legal action against the shipowner and his insurer claiming compensation of SKr5 260 364 (£410 000) for clean-up costs. The Government has also taken legal action against the 1992 Fund to prevent its claim against the Fund becoming time barred. The Government invoked the liability of the Fund to compensate it if neither the shipowner nor the insurer were to be held liable to pay compensation.

#### *Zeinab*

- 14 The *Zeinab* incident occurred in the United Arab Emirates, which at the time of the incident was a member of both the 1992 Fund and the 1971 Fund. The 1992 Fund Executive Committee and the 1971 Fund Administrative Council have 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. In February 2004 the 1992 Fund Executive Committee and the 1971 Fund Administrative Council decided not to pursue recourse action against the owner of the *Zeinab*. An amount of £20 000 is included in the contingent liabilities for lawyers and experts fees.

#### *Prestige*

- 15 The total amount of the established claims will exceed the maximum amount available for compensation under the 1992 Conventions, 135 million SDR, corresponding to €71 520 703 (£120.9 million). The limitation amount applicable to the *Prestige* under the 1992 Civil Liability Convention is estimated at 18.9 million SDR, corresponding to €2.8 million (£16.1 million). The 1992 Fund's liability would therefore be approximately €48.7 million (£104.8 million). The 1992 Fund had as at 31 December 2003 paid €57 555 000 (£39 914 906) to the Spanish State. The 1992 Fund had also made some minor payments to other claimants in Spain. The compensation payments made total €57 555 725.05 (£39 915 420). The balance payable by the 1992 Fund in compensation therefore is some €1.1 million (£64.2 million).

#### *Incident in Bahrain*

- 16 The source of the oil spill in Bahrain has not been identified. The Executive Committee will be invited to consider whether this incident falls within the scope of the 1992 Fund Convention. For the purpose of the contingent liabilities the total compensation arising from the incident is estimated at £600 000.

#### *Buyang and Hana incidents*

- 17 It is anticipated that the total amount of the established claims in respect of each of these two incidents will be well within the limitation amount applicable to the respective vessel under the 1992 Civil Liability Convention. It is unlikely therefore that the 1992 Fund will be required to make any compensation payments. Some contribution will be made towards joint costs incurred in connection with the use of experts appointed jointly by the 1992 Fund and the Korea Shipping Association.

#### *Victoriya*

- 18 The limitation amount applicable to the *Victoriya* under the 1992 Civil Liability Convention is 3 million SDR (£2.5 million). It is too early to predict whether the total claims arising from this incident will exceed the limitation amount. An amount of £20 000 is included to cover claims related costs.

*Duck Yang*

- 19** The limitation amount applicable to the *Duck Yang* under the 1992 Civil Liability Convention is 3 million SDR (£2.5 million). It is too early to predict whether the total claims arising from this incident will exceed this amount. An amount of £20 000 is included to cover claims related costs.

*Kyung Won*

- 20** The *Kyung Won* was not insured for pollution liabilities. The shipowner is unlikely to have the financial resources to make any significant payments. Claims totaling £970 000 are being assessed. It is anticipated that substantial claims will be submitted from the fishery and mariculture sectors in 2004. For the purpose of the contingent liabilities, the total compensation payments have been estimated at £2 000 000.

*Jeong Yang*

- 21** The limitation amount applicable to the *Jeong Yang* under the 1992 Civil Liability Convention is 4.5 million SDR (£3.8 million). Claims in respect of the costs of clean up are estimated at Won3 700 million (£1.7 million). It is too early to predict whether the total established claims arising from this incident will exceed the limitation amount. An amount of £20 000 is included to cover claims related costs.

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