 <p>INTERNATIONAL OIL POLLUTION COMPENSATION FUNDS</p>	Agenda item: 5	IOPC/OCT09/5/5/1	
	Original: ENGLISH	10 July 2009	
	1992 Fund Assembly	92A14	•
	1992 Fund Executive Committee	92EC46	
	Supplementary Fund Assembly	SA5	
	1971 Fund Administrative Council	71AC24	

2008 FINANCIAL STATEMENTS AND AUDITOR'S REPORT AND OPINION

1992 FUND

Note by the Director

Summary:	As indicated in document IOPC/OCT09/5/5, the 1992 Fund financial statements and the Auditor's Report and Opinion are set out.
Action to be taken:	<u>1992 Fund Assembly:</u> Approval of financial statements.

- 1 In accordance with Article 29.2(f) of the 1992 Fund Convention, the Director has prepared the financial statements of the 1992 Fund for the financial year 2008. The Director has also prepared comments on the financial statements. These comments are at Annex I. Attached to that Annex is a summary of the External Auditor's recommendations from the current and prior financial years and the actions taken on those recommendations.
- 2 Financial Regulation 12.3 provides that the financial statements to be prepared by the Director shall comprise of the following:
 - (a)
 - (i) Statement of Appropriations and Obligations Incurred (Annex V, Statement I);
 - (ii) Income and Expenditure Accounts for all funds (Annex V, Statement II - II.5);
 - (iii) Balance Sheet (Annex V, Statement III); and
 - (iv) Cash Flow Statement (Annex V, Statement IV).
 - (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 (Schedules I - III).
- 3 In keeping with best practice the Director has included a Statement of Internal Control which provides positive confirmation of the internal control framework. The statement is at Annex II.
- 4 The financial statements of the 1992 Fund are audited by the Comptroller and Auditor General of the United Kingdom.
- 5 Pursuant to Financial Regulation 14.10, the External Auditor has submitted to the 1992 Fund Assembly, through its Chairman, his Report on the audit of the financial statements of the 1992 Fund for the financial period ended 31 December 2008. The Auditor's Report is at Annex III.
- 6 Under Financial Regulation 14.16 the External Auditor shall express an opinion on the financial statements on which he is reporting. This Opinion is at Annex IV.

7 Staff Regulation 26(b) provides that the Director shall establish and operate a Provident Fund to which both the 1992 Fund and staff members shall contribute on such terms and conditions as may be approved by the 1992 Fund Assembly. Under Staff Rule VIII.5(g), the auditing of the Provident Fund shall be carried out in conjunction with the annual audit of the accounts of the 1992 Fund (cf Statement II.5).

8 The certified financial statements for the financial period 1 January to 31 December 2008 are at Annex V and consist of the following:

Statement I Statement of Budget Appropriations and Obligations Incurred in respect of the General Fund for the financial period 1 January - 31 December 2008

Statement II Summary of Income and Expenditure Account in respect of the General Fund, Major Claims Funds and the Provident Fund for the financial period 1 January - 31 December 2008

Statement II.1 Income and Expenditure Account in respect of the General Fund for the financial period 1 January - 31 December 2008

Statement II.2 Income and Expenditure Account in respect of the *Erika* Major Claims Fund for the financial period 1 January - 31 December 2008

Statement II.3 Income and Expenditure Account in respect of the *Prestige* Major Claims Fund for the financial period 1 January - 31 December 2008

Statement II.4 Income and Expenditure Account in respect of the *Hebei Spirit* Major Claims Fund for the financial period 1 January - 31 December 2008

Statement II.5 Staff Provident Fund Account for the financial period 1 January - 31 December 2008

Statement III Balance Sheet of the 1992 Fund as at 31 December 2008

Statement IV Cash Flow Statement for the 1992 Fund for the financial period 1 January - 31 December 2008

9 In addition to the financial statements submitted, the following schedules are attached:

Schedule I Report on Contributions during the financial period 1 January - 31 December 2008 and on contributions outstanding for previous financial periods

Schedule II Report on Payment of Claims for the financial period 1 January - 31 December 2008

Schedule III Details of Contingent Liabilities of the 1992 Fund as at 31 December 2008

10 **Action to be taken**

1992 Fund Assembly:

The 1992 Fund 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 2008.

ANNEX I

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992

**DIRECTOR'S COMMENTS ON THE
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
1 JANUARY TO 31 DECEMBER 2008**

1 Introduction

- 1.1 The International Oil Pollution Compensation Funds (IOPC Funds) are intergovernmental organisations which provide compensation for oil pollution damage resulting from spills of persistent oil from tankers. The International Oil Pollution Compensation Fund 1971 (1971 Fund) was established in October 1978. It operates within the framework of two international Conventions: the 1969 International Convention on Civil Liability for Oil Pollution Damage (1969 Civil Liability Convention) and the 1971 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage (1971 Fund Convention), both as amended in 1992 by two Protocols. The amended Conventions, known as the 1992 Civil Liability Convention (1992 CLC) and the 1992 Fund Convention, entered into force on 30 May 1996. The International Oil Pollution Compensation Fund 1992 (1992 Fund) was set up under the 1992 Fund Convention. The 1971 Fund Convention ceased to be in force on 24 May 2002 and does not apply to incidents occurring after that date. However, before the 1971 Fund can be wound up, all pending claims arising from incidents occurring before that date in 1971 Fund Member States will have to be settled and paid and any remaining assets distributed among contributors.
- 1.2 A Protocol to the 1992 Fund Convention adopted in 2003 resulted in the establishment of the International Oil Pollution Compensation Supplementary Fund 2003 (Supplementary Fund), which provides an optional third tier of compensation. The Protocol entered into force on 3 March 2005. Any State Party to the 1992 Fund Convention may become Party to the Protocol and thereby become a Member of the Supplementary Fund.
- 1.3 The maximum amount of compensation payable under the 1992 Conventions for any one incident is 135 million Special Drawing Rights (SDR)^{<1>} in respect of incidents occurring before 1 November 2003 and 203 million SDR for incidents occurring after that date. These amounts, which as at 31 December 2008 corresponded to £144 million and £216 million respectively, include the sum actually paid by the shipowner or his insurer.
- 1.4 At its February/March 2006 session, the 1992 Fund Assembly took note of a voluntary agreement, the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) 2006, under which the shipowner/P&I Clubs would reimburse the 1992 Fund for part of the compensation payable by the Fund under the 1992 Fund Convention. At its October 2006 session the 1992 Fund Assembly approved administrative procedures for indemnification of the 1992 Fund by the shipowners/P&I Clubs under STOPIA 2006. The contract applies to all small tankers entered in one of the P&I Clubs which are members of the International Group of P&I Clubs and reinsured through the pooling arrangements of the International Group. Owners of small tankers not insured by an International Group Club and/or not covered by the pooling arrangement may agree with their insurers to be covered by STOPIA 2006. The effect of STOPIA 2006 is that the maximum amount of compensation payable by owners of all ships of 29 548 gross tonnage or less is 20 million SDR. This voluntary agreement is applicable to the *Solar 1* incident which occurred in 2006 (cf paragraph 5.6).

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

1.5 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.

1.6 By the end of 2008, 102 States were Members of the 1992 Fund (cf page 9).

2 Secretariat

2.1 The IOPC Funds have a joint Secretariat, based in London, headed by one Director. The 1992 Fund Secretariat also administers the 1971 Fund and the Supplementary Fund.

2.2 As at 31 December 2008 the Secretariat had 33 established posts. The Funds use external consultants to provide advice on legal and technical matters as well as on matters relating to management. In connection with a number of major incidents the Funds and the shipowner's third party liability insurer involved have jointly established local claims offices to facilitate the efficient handling of the great numbers of claims submitted and in general to assist claimants.

3 Audit Body

3.1 The governing bodies of the IOPC Funds have established a joint Audit Body for the three Funds composed of seven members elected by the 1992 Fund Assembly: one named Chairman nominated by 1992 Fund Member States, five named individuals nominated by 1992 Fund Member States and one named individual not related to the Organisations with expertise and experience in audit matters nominated by the Chairman of the 1992 Fund Assembly.

3.2 The Audit Body normally meets three times a year. In 2008 they met in March, June and December.

4 Investment Advisory Body

4.1 The governing bodies of the IOPC Funds have established a joint Investment Advisory Body, consisting of three experts with specialist knowledge in investment matters elected by the 1992 Fund Assembly to advise the Director in general terms on such matters.

4.2 The Investment Advisory Body normally meets four times a year. In 2008 they met in February, May, September and November.

5 Financial Overview

5.1 There are separate income and expenditure accounts for the General Fund and for each of the Major Claims Funds. The General Fund covers the 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 compensation payments and claims-related expenditure up to a maximum amount of 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.

Income

Contribution income

- 5.3 As regards contributions to the General Fund £3 million were levied in 2007 for payment in 2008. With respect to the *Erika* and *Prestige* Major Claims Funds the Assembly decided not to levy any contributions. In June 2008 the Administrative Council, acting on behalf of the 1992 Fund Assembly, levied contributions of £50 million in relation to the *Hebei Spirit* incident for payment by 1 November 2008.
- 5.4 Details of outstanding contributions for previous financial periods are provided in **Schedule I**. As at 31 December 2008 the total outstanding amount of contributions levied was £4 305 285 compared to £386 176 in 2007. The large increase in outstanding contributions mainly relates to the *Hebei Spirit* Major Claims Fund where an amount of just over £3.7 million was outstanding at the year-end. The timing of the levy may have contributed to the increase in the amount outstanding as the due date for contributions fell outside the normal annual due date for contributions of 1 March. Interest is payable by contributors for late receipt of contributions. An amount of £2.87 million (67%) of the total amount of outstanding contributions was received by 30 April 2009.

Management fee

- 5.5 At their October 2007 sessions the governing bodies of the IOPC Funds decided that the 1971 Fund and the Supplementary Fund should pay to the 1992 Fund a flat management fee towards the cost of running the joint Secretariat. The management fee was set based on the estimated number of working days that the entire Secretariat would have to spend on the 1971 Fund and Supplementary Fund matters. The fee for 2008 was set in the budget at £210 000 (15 days) and £50 000 (3.5 days) respectively, compared to £275 000 (20 days) and £70 000 (5 days) for 2007.

Recovery under STOPIA 2006

- 5.6 Payments relating to compensation payments recovered in 2008 from the P&I Club under STOPIA 2006 in respect of the *Solar 1* incident totalled £283 359.

Interest earned on investments

- 5.7 Interest earned on the investment of the 1992 Fund assets during the financial period amounted to some £5.6 million and includes interest on Euros bought and invested in relation to the *Erika* and *Prestige* incidents. Interest earned from investment of the assets of the General Fund and the Major Claims Funds are as follows:

General Fund	£1.5 million
<i>Erika</i> Major Claims Fund	£2.33 million
<i>Prestige</i> Major Claims Fund	£1.21 million
<i>Hebei Spirit</i> Major Claims Fund	£0.37 million
Provident Fund	£0.16 million
Contributors' account	<u>£0.03 million</u>
Total	£5.6 million

Expenditure

Secretariat Expenses

- 5.8 The joint Secretariat's administrative expenses for 2008 amounted to £2 849 042, including the External Auditor fees paid in 2008 for the audit of the 2007 financial statements for the three Funds

(cf paragraph 5.9). The total obligations incurred in 2008 was 22% less than the 2008 budget appropriation of £3 646 000 and 2.7% lower than the total obligations incurred in 2007 of £2 927 628 (cf paragraphs 5.12-5.29).

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

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

5.10 Excess expenditure under Chapter I (Separation and recruitment) was met from a transfer within the Chapter (Salaries). Excess expenditure under Chapter V (Audit Body) resulting in revised budget appropriations was met by budgetary transfers within the Chapter and between Chapters as provided in the 1992 Fund's Financial Regulations. One further transfer was made to Chapter V (Consultants) from Chapter VI (Unforeseen) as authorised by the 1992 Fund Assembly at its October 2008 session.

5.11 Expenses for running the joint Secretariat were made under six Chapters as set out in the table below:

Chapter	2008 budget appropriations	2008 revised budget appropriations	2008 Obligations incurred		2007 Obligations incurred	
	£	£	£	%	£	%
I Personnel	2 152 700	2 142 606	1 723 522	60.5	1 746 881	59.7
II General services	748 800	748 800	569 907	20.0	513 375	17.5
III Meetings	175 000	175 000	129 134	4.5	228 548	7.8
IV Travel	150 000	150 000	14 845	0.5	102 733	3.5
V Miscellaneous expenditure	359 500	411 634	411 634	14.5	336 091	11.5
VI Unforeseen expenditure	60 000	17 960	-	-	-	-
Total	3 646 000	3 646 000	2 849 042	100.00	2 927 628	100.00

Comments on the expenditures by Chapter are provided below:

I Personnel

Chapter	2008 Budget appropriations £	2008 Obligations incurred £	Balance of appropriation £	Underspend / (Overspend) in %
I Personnel	2 152 700	1 723 522	429 178	19.9

5.12 The expenditure under Personnel covers Salaries, Separation and recruitment and Staff benefits, allowances and training.

5.13 The underspend in 2008 was due mainly to professional posts budgeted but not filled in 2008. All posts but one, that of Claims Manager, were filled in January 2009. The costs related to these recruitments were incurred in 2008.

5.14 There was also an underspend of some £87 300 (2008 appropriation £100 000) in respect of staff training as no major cross-organisational training was undertaken in 2008.

5.15 The obligations incurred under this Chapter in 2008 (£1 723 522) is 1.3% lower than in 2007 (£1 746 881).

II General services

Chapter	2008 Budget appropriations £	2008 Obligations incurred £	Balance of appropriation £	Underspend /((Overspend) in %
II General services	748 800	569 907	178 893	23.9

5.16 The appropriations under this heading cover mainly Office accommodation, Office machines and Public information. Of the expenses in this Chapter some 51 % relates to Office accommodation and some 12% to Public information.

5.17 Planned procurement of replacement computer hardware (Office machines) was undertaken in 2008. The underspend on Public Information was due mainly in respect of ongoing development of the organisation's website/document server and other public relations projects not or not fully being undertaken in 2008, due to staff vacancies.

5.18 The obligations incurred under this Chapter in 2008 (£569 907) is 11% higher than in 2007 (£513 375) due mainly to more expenditure in respect of purchase of office equipment.

III Meetings

Chapter	2008 Budget appropriations £	2008 Obligations incurred £	Balance of appropriation	Underspend /((Overspend) in %
III Meetings	175 000	129 134	45 866	26.2

5.19 The main expenses under this Chapter relate to the cost of interpretation during meetings and translation and printing of documents for meetings.

5.20 The IOPC Funds governing bodies held 11 days of meetings in 2008 compared to 10.5 days of meetings in 2007. The underspend was due to the fact that the cost of the meetings held in Monaco and the costs of holding the remaining sessions in the International Maritime Organization (IMO) Headquarters were lower than anticipated.

5.21 The obligations incurred under this Chapter in 2008 (£129 134) is 43.5 % lower than in 2007 (£228 548) due mainly to two sessions having been held at the IMO Headquarters compared to all sessions in October 2007 having been held outside of the IMO Headquarters.

IV Travel

Chapter	2008 Budget appropriations £	2008 Obligations incurred £	Balance of appropriation	Underspend /((Overspend) in %
IV Travel	150 000	14 845	135 155	90.1

5.22 Where possible, travel cost to various conferences and seminars and to hold workshops on claims handling is shared with travel in relation to incidents. The Secretariat has developed internal guidelines to determine the conferences etc where participation of the Funds is necessary or desirable with a view to being able to prioritise within the increased number of requests.

- 5.23 Budgeting for travel is difficult as invitations for conferences and seminars are not normally provided in time to be included in the preparation of the budget. Also some conferences pay travel and/or accommodation costs for speakers, but not all.
- 5.24 The obligations incurred under this Chapter in 2008 (£14 845) is 85.5% lower than in 2007 (£102 733) due to two large incidents that occurred at the end of 2007 resulting in an increase in incident related travel and a corresponding limitation of the extent to which staff had the possibility to attend conferences, workshops etc. Also the remaining staff vacancies that still existed in 2008 have played a role.

V Miscellaneous expenditure

Chapter	2008 Budget appropriations £	2008 Obligations incurred £	Balance of appropriation	Underspend /(Overspend) in %
V Miscellaneous expenditure	359 500	411 634	-	(14.5)

- 5.25 This Chapter includes the fees of the External Auditor, the costs relating to the Audit Body and the Investment Advisory Body and Consultants/lawyers fees (non incident related).
- 5.26 Consultants were used mainly in respect of the development of the IOPC Funds' bespoke web based claims management system and database (WCMS), the record of decisions database and a bespoke payroll database. Consultant fees (£192 040) exceeded the budget appropriation (£150 000). The overspend (£42 040) was met with a transfer from Chapter VI (Unforeseen) as set out in paragraph 5.10 above. Further work on all three databases will continue in 2009.
- 5.27 Obligations incurred in relation to the Audit Body (£121 594) exceeded the budget appropriation (£110 000) due mainly to increase in travel costs for members of the Audit Body as a result of the weakening of Pounds sterling during 2008.
- 5.28 The obligations incurred under this Chapter in 2008 (£411 634) is 22.5 % higher than in 2007 (£336 091).

VI Unforeseen expenditure

Chapter	2008 Budget appropriations £	2008 Obligations incurred £	Balance of appropriation	Underspend /(Overspend) in %
VI Unforeseen expenditure	60 000	-	60 000	-

- 5.29 No expenditure was incurred under this heading. However, a transfer was made from this Chapter as set out in paragraphs 5.10 and 5.26 above.

Claims and claims-related expenditure

- 5.30 Compensation payments and claims-related expenditure during 2008 amounted to some £10.7 million. The payments related mainly to the following five incidents:

<i>Erika</i>	(£0.9 million)
<i>Slops</i>	(£3.2 million)
<i>Prestige</i>	(£2.0 million)
<i>Shosei Maru</i>	(£0.8 million)
<i>Hebei Spirit</i>	(£3.2 million)

- 5.31 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.
- 5.32 The incident with the Greek- registered waste oil reception facility *Slops* occurred on 15 June 2000. At its July 2000 session the 1992 Fund's Executive Committee decided that the *Slops* should not be considered a 'ship' for the purpose of the 1992 Civil Liability and Fund Conventions. However in July 2008 the 1992 Fund paid €4 022 099 (£3.2 million) to the claimants as principal, legal interests and costs in accordance with the judgment by the Greek Court of Appeal.
- 5.33 The *Prestige* incident which occurred off Spain in 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.
- 5.34 The *Shosei Maru* incident which occurred in Japan on 28 November 2006 was not entered in STOPIA 2006. In 2008 the 1992 Fund paid to the Japan P&I Club ¥161 064 193 (£754 823) for the pollution damage in excess of the 1992 CLC limit, and also paid to the Japan P&I Club the corresponding share of the survey fees totalling ¥11 091 695 (£51 981).
- 5.35 The *Hebei Spirit* incident which occurred in the Republic of Korea on 7 December 2007 caused serious pollution damage. As the tonnage of the *Hebei Spirit* is in excess of 140 000 GT the limitation amount applicable to the shipowner is therefore the maximum available under the 1992 CLC (89.77 million SDR). The total amount available for compensation under both the 1992 CLC and Fund Convention is 203 million SDR.
- 5.36 The incidents in which the 1992 Fund was involved during 2008 are listed in **Schedule II**.

General Fund and Major Claims Balances

- 5.37 The majority of the 1992 Fund's cash assets at the end of the 2008 financial period amounting to some £141.4 million was held in Pounds sterling.
- 5.38 The General Fund balance at the balance sheet date was £20 621 038, which is lower than the working capital of £22 million set by the Assembly at its October 2004 session.
- 5.39 The balances due to the three Major Claims Funds at the balance sheet date were as follows:

	£
<i>Erika</i> Major Claims Fund	50 320 780
<i>Prestige</i> Major Claims Fund	24 192 566
<i>Hebei Spirit</i> Major Claims Fund	49 083 164

- 5.40 The contingent liabilities as at 31 December 2008 were estimated at over £410.4 million in respect of nine incidents as detailed in **Schedule III**.

Staff Provident Fund

- 5.41 The Staff Provident Fund Account had a balance of £2 154 949 on the accounts of staff members as at 31 December 2008 (**Statement II.5**) in comparison to balance of last year of £1 714 266. This balance reflects contributions to the Provident Fund during the financial year, in accordance with Staff Regulation 23(b) and Staff Rule VIII.5, withdrawals and repayments of housing loans, withdrawals on separation and interest earned on the investment of the assets (£162 761) of the Provident Fund.

Due from HNS Fund

- 5.42 An amount of £170 163 (including interest) is due from the International Hazardous and Noxious Substances Fund (HNS Fund) (cf Note 7 to the financial statements).

Contributors' account

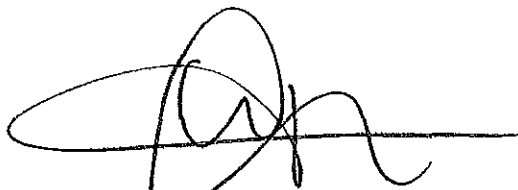
- 5.43 As at 31 December 2008 an amount of £163 991 was due to contributors compared to £747 286 on 31 December 2007. This amount includes interest (£33 692) credited in 2008 as provided for in the Internal Regulations. The decrease in the contributors' account is due mainly to the return of funds due to a contributor which was a dissolved joint venture between two oil companies. The funds were returned to the respective companies.

Cash Flow Statement for the financial period 1 January - 31 December 2008 (Statement IV)

- 5.44 During the period ended 31 December 2008, the net cash inflow from operating activities was £41 765 804 and interest from the 1992 Fund's investments amounted to £5 609 645 which, added to the opening balance of £94 025 283, resulted in a cash balance of £141 400 732 (cf Note 14(a) to the financial statements).

6 External Auditor's Recommendations from previous financial years and for 2008

The External Auditor's recommendations that are outstanding from previous financial years and for the 2008 financial year cover both the 1992 Fund and the 1971 Fund. These recommendations and the Director's response thereto are set out in Attachment II to this Annex.



Willem Oesterveen
Director
25 June 2009

Attachment I

States Parties to both the 1992 Civil Liability Convention and the 1992 Fund Convention as at 31 December 2008 (102 States)		
Albania	Georgia	Oman
Algeria	Germany	Panama
Angola	Ghana	Papua New Guinea
Antigua and Barbuda	Greece	Philippines
Argentina	Grenada	Poland
Australia	Guinea	Portugal
Bahamas	Hungary	Qatar
Bahrain	Iceland	Republic of Korea
Barbados	India	Russian Federation
Belgium	Ireland	Saint Kitts and Nevis
Belize	Israel	Saint Lucia
Brunei Darussalam	Italy	Saint Vincent and the Grenadines
Bulgaria	Jamaica	Samoa
Cambodia	Japan	Seychelles
Cameroon	Kenya	Sierra Leone
Canada	Kiribati	Singapore
Cape Verde	Latvia	Slovenia
China (Hong Kong Special Administrative Region)	Liberia	South Africa
Colombia	Lithuania	Spain
Comoros	Luxembourg	Sri Lanka
Congo	Madagascar	Sweden
Cook Islands	Malaysia	Switzerland
Croatia	Maldives	Tonga
Cyprus	Malta	Trinidad and Tobago
Denmark	Marshall Islands	Tunisia
Djibouti	Mauritius	Turkey
Dominica	Mexico	Tuvalu
Dominican Republic	Monaco	United Arab Emirates
Ecuador	Morocco	United Kingdom
Estonia	Mozambique	United Republic of Tanzania
Fiji	Namibia	Uruguay
Finland	Netherlands	Vanuatu
France	New Zealand	Venezuela
Gabon	Nigeria	
	Norway	
1 State which has deposited an instrument of accession, but for which the 1992 Fund Convention does not enter into force until date indicated		
Islamic Republic of Iran		5 November 2009



Attachment II

RECOMMENDATIONS MADE BY EXTERNAL AUDITOR IN MAIN REPORT

SUMMARY RECOMMENDATIONS AND RESPONSE

FINANCIAL STATEMENTS 2008

<u>1992 Fund and 1971 Fund</u>	<u>Recommendations from External Auditor</u>	<u>Response from IOPC Funds' Director</u>	<u>Status</u>
	<p>Recommendation 1: That IOPC Funds consider shortening the period between the end of the reporting period and the certification of the financial statements. In doing so the Secretariat will also need to consider introducing a system of an interim closure of their accounts in September each year with a view to producing interim financial statements for audit. We further recommend that where possible reporting requirements are maintained within the existing calendar of governing body meetings.</p>	<p>The IOPC Funds' quarterly accounts are currently produced by the Secretariat shortly after the quarter end. The Secretariat should therefore be in a position to produce financial statements for the first nine months to be presented to External Auditor at the time of the interim audit each year.</p> <p>The governing bodies hold their main (regular) sessions in autumn each year at which the financial statements are approved. The Audit Body and the Chairpersons of the governing bodies are presented with certified financial statements as soon as they are ready.</p>	<p>To raise recommendation with the Audit Body at its December 2009 meeting.</p>



FINANCIAL STATEMENTS 2007

<u>1992 Fund and 1971 Fund</u>	<u>Recommendations from External Auditor</u>	<u>Response from IOPC Funds' Director</u>	<u>Status</u>
	<ul style="list-style-type: none"> <u>Recommendation 1:</u> That the Secretariat establish a formal project plan for the adoption of IPSAS once approval has been obtained from the governing bodies. The plan should incorporate milestones for implementation and progress against the plan should be regularly reviewed by the Secretariat and also the governing bodies 	<p>Discussions are being held with the External Auditor and the Audit Body. The Director will be submitting a document to the October 2008 sessions of the governing bodies to seek approval, in principal, for the adoption, of IPSAS.</p> <p>If approval is obtained a project plan will be developed in consultation with the Audit Body and the External Auditor.</p>	<p>Implemented.</p> <p>The governing bodies will be updated of developments / progress at their October 2009 session.</p>

FINANCIAL STATEMENTS 2006 - No pending recommendations

FINANCIAL STATEMENTS 2005

<u>1992 Fund and 1971 Fund</u>	<u>Recommendations from External Auditor</u>	<u>Response from IOPC Funds' Director</u>	<u>Status</u>
	<ul style="list-style-type: none"> <u>Recommendation 1:</u> Contributor's account - Review of position in respect of the credit balances of a particular contributor. 	<p>Discussions are being held with the contributor for the purpose of resolving the issue.</p>	<p>Credit balances repaid December 2008</p>

ANNEX II

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992

STATEMENT ON INTERNAL CONTROL

Scope of Director's responsibility

Under Article 28.2 of the 1992 Fund Convention, the Director shall be the legal representative of the International Oil Pollution Compensation Fund 1992 (1992 Fund). Each Contracting State shall, pursuant to Article 2.2, recognise the Director as the legal representative of the Fund.

Under Article 29.1, the Director shall be the chief administrative officer of the 1992 Fund. As chief administrative officer, the Director has responsibility for maintaining a sound system of internal control that supports the achievement of the 1992 Fund's policies, aims and objectives, whilst also safeguarding the 1992 Fund's assets.

As a result of these provisions, the Director has the authority, *vis-à-vis* third parties, to commit the 1992 Fund without restrictions, unless the third party concerned has been informed of any limitation of this authority decided by the Assembly or Executive Committee.

The Director is however bound by any restriction of his authority decided by the Assembly or Executive Committee. He may delegate his authority to other officers within the limits laid down by the Assembly.

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

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

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

Statement on the system of internal control

The Director has the responsibility for maintaining a sound system of internal control that supports the work of the 1992 Fund. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks and to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The joint Audit Body established by the IOPC Funds' governing bodies meets formally three times a year. The Audit Body has the mandate to review the adequacy and effectiveness of the Organisation regarding key issues of management and financial systems, financial reporting, internal controls, operational procedures and risk management, to review the Organisation's financial statements and reports, and to consider all relevant reports by the External Auditor, including reports on the Organisation's financial statements. This additional oversight provides further assurance that appropriate internal controls are in place. The Body reports to the 1992 Fund Assembly on an annual basis.

Capability to handle risk

During 2008 the Director continued a review of the IOPC Funds' risk management. In close cooperation with the Audit Body, and with the assistance of external consultants and the External Auditor, five areas of risk have been identified, namely: reputation risk, claims handling process, financial risk, human resource management and business continuity.

Under these five areas, with the assistance of external consultants, the sub risks have been mapped and assessed following which the process and procedures for management of these risks have been documented. This exercise allows the IOPC Funds to prioritise the key risks and to ensure that these risks are being adequately mitigated. The Audit Body and the External Auditor have made valuable contributions to the work in this field. At its June 2008 meeting, the Audit Body was provided with a Key Risk Register comprising of thirteen risks identified as being key risks across the Secretariat. The Audit Body will review the Key Risk Register on an annual basis.

The risk and control framework

The system of internal control is based on an ongoing process designed to ensure conformity with the 1992 Fund Convention, the Financial Regulations, the Internal Regulations and decisions of the 1992 Fund Assembly and Executive Committee.

The Assembly adopts the Financial Regulations and Internal Regulations necessary for the proper functioning of the 1992 Fund. Amendments to these Regulations were last made at the session of the Assembly in October 2008.

Staff Regulations are adopted by the 1992 Fund Assembly. Staff Rules are issued by the Director and any amendments to the Staff Rules are reported annually to the 1992 Fund Assembly. Administrative Instructions are issued by the Director as and when required.

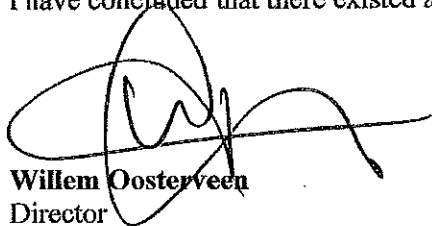
The joint Investment Advisory Body established by the IOPC Funds' governing advises the Director on relevant procedures for investment and cash management controls. The Body monitors, on a quarterly basis, the credit ratings of financial institutions and reviews the credit ratings of institutions which meet the IOPC Funds' investment criteria. The Body also reviews the IOPC Funds' investments and foreign exchange requirements to ensure that reasonable investment returns are achieved without compromising the IOPC Fund's assets. The Body reports to the 1992 Fund Assembly on an annual basis.

Review of effectiveness

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

The Audit Body has taken the view that an internal audit function would be an unnecessary burden and expense on an organisation the size of the joint Secretariat. The Director will keep this issue under review.

I have concluded that there existed an effective system of internal control for the financial year 2008.



Willem Oosterveen
Director
25 June 2009



National Audit Office

The National Audit Office (NAO), headed by the Comptroller and Auditor General of the United Kingdom, provides an external audit service to the International Oil Pollution Compensation Fund 1992. The External Auditor has been appointed by the 1992 Fund Assembly in accordance with Regulation 14 of the Financial Regulations. In addition to certifying the financial statements of the 1992 Fund, he has authority under the mandate to report to the 1992 Assembly on the economy, efficiency and effectiveness with which the organisation has used its resources.

The aim of the audit is to provide independent assurance to the 1992 Fund Assembly to add value to financial management and governance, and to support the objectives of the Fund's work.

For further information please contact:

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External Auditor's Report 2008

International Oil Pollution Compensation Fund 1992

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EXECUTIVE SUMMARY

- *An unqualified audit opinion on the 2008 financial statements*
- *A surplus of income over expenditure of £45 million primarily due to the levy of £50 million in respect of the Hebei Spirit incident in the Republic of Korea.*
- *A significant increase in cash balances resulting from the Hebei Spirit contributions of some £48.5 million collected in 2008.*
- *Contingent liabilities increased to £410 million due to ongoing assessment of the potential liability in respect of the Volgoneft 139 and Hebei Spirit incidents and the weakening in Sterling at the end of 2008.*
- *Significant progress towards the adoption of International Public Sector Accounting Standards and in determining key principals in respect of compensation claims.*
- *The introduction and use of a Web Based Claims Management System (WCMS) for the Hebei Spirit incident, with sound internal controls for access to the system.*
- *Good progress in implementing previous audit recommendations.*

DETAILED FINDINGS

Overall Results of the Audit

1. We have audited the financial statements of the International Oil Pollution Compensation Fund 1992 in accordance with the Financial Regulations and in conformity with International Standards on Auditing. We have provided a separate audit opinion and report in relation to the financial statements of the International Oil Pollution Compensation Fund 1971 and an audit opinion in relation to the financial statements of the Supplementary Fund.
2. The audit examination revealed no weaknesses or errors which we considered material to the accuracy, completeness and validity of the financial statements. The audit opinion confirms that these financial statements reflect fairly, in all material respects, the financial position as at 31 December 2008 and the results of operations and cash flows for the period then ended, in accordance with United Nations System Accounting Standards and the IOPC Funds' Financial Regulations and stated accounting policies.
3. The main observations and recommendations from our audit are summarised below including our commentary on the action taken by management in response to audit recommendations for 2007. The scope and approach of the audit, which were communicated to the Secretariat in a detailed audit strategy, is summarised at Annex A.

Financial Results

Income and Expenditure

4. For the financial year ended 31 December 2008, the 1992 Fund reported a surplus of income over expenditure of £45 million, compared with a deficit of £252,553 in 2007. This significant increase in the surplus is explained by the levy of some £50 million in respect of the *Hebei Spirit* incident in The Republic of Korea for which the majority of compensation claims are still to be paid by the Fund. In 2008 1992 Fund collected £48.5 million of contributions due in respect of this incident. While overall expenditure of £13.6 million remained similar to 2007 (£13.8 million), the following significant movements occurred:
 - Compensation payments decreased from £7.3 million to £4.6 million in 2008, largely due to the decline in claims for the *Erika* and *Prestige* incidents. Although a new Major Claims Fund has been set up for the *Hebei Spirit* no compensation had been paid out by the 1992 Fund in 2008. We expect to see an increased level of claims payments in 2009; and

- Claims related expenditure increased from £3.3 million in 2007 to £6.3 million in 2008. The increase related directly to expenditure incurred for processing claims for the *Hebei Spirit* incident in 2008. Although no compensation payments were made in 2008, investigations were carried out and significant legal costs incurred as a part of the claims assessment process.
5. These movements illustrate the unpredictable nature of the 1992 Fund's financial results, as the level of income and expenditure largely depends on the number of incidents that have taken place, the timing of contribution levies, and the processing and payment of compensation claims. The movements in 2008 also serve to highlight the importance of effective cash flow management to ensure that sufficient funds are in place year to year to meet compensation demands. In this regard we are pleased to note that the Secretariat is forward planning by working with its Investment Advisory Body to ensure that, as and when required, there is an appropriate level of funds in Korean Won to pay compensation claims in respect of the *Hebei Spirit*.
 6. For the financial period 2008, the 1992 Fund reported a General Fund closing balance of £20.6 million compared to £25.9 million at the end of 2007. The reduction in the fund balance is primarily explained by the increase in claims related expenditure, which increased to £3.4 million compared to £341,873 in 2007.

Contributions Income

7. The 1992 Fund levied contributions of £53 million in 2008 and the Fund has invoiced 97.6 percent of this balance, which represents an improvement on the 94 percent invoiced by the end of 2007. The Fund cannot invoice a contributor until the State involved has submitted its oil report. These reports detail how much oil each contributor has received for the year and the levy charge is apportioned to contributors in accordance with the oil tonnage transported. The increase in the proportion of invoices raised suggests that the timely submission of oil reports is improving. The late submission of the oil reports relating to prior years has enabled the IOPC Funds to invoice contributors for some £328,012 in 2008 helping to clear arrears in contributions due.
8. We reviewed 50 percent of invoices sent to contributors, and we concluded that the systems and controls in place to record receipts and to recover debts and interest owed had operated effectively during the period and that for the most part, contributions had been received on a timely basis and where applicable, interest had been correctly applied.

Secretariat Expenses

9. Obligations incurred by the 1992 Fund for joint Secretariat expenditure amounted to £2.8 million, an underspend of £796,958 against approved budgetary appropriations. Most of this underspend relates to

staff vacancies, which resulted in personnel expenditure falling under budget by £419,084. and an underspend of £135,155 on travel, due to fewer travel and conference requirements during 2008. The financial statements shows that Secretariat expenditure reduced by £78,586 to £2,8 million in 2008.

Assets and Liabilities

10. We note that cash balances held by the Fund increased from £94,025,283 in 2007 to £141,400,732 in 2008. The significant increase in cash is due to the £50 million levy for the *Hebei Spirit* incident, where contributions have been received but compensation payments have yet to be made by the Fund. We expect the cash balance to fall in 2009 as the Fund is due to start compensation payments for the *Hebei Spirit* incident.
11. The IOPC Funds adopt an investment policy where cash balances are invested to earn interest and mitigate the risk of exchange rate losses but with the security of capital invested as the main priority. The Funds are advised on investment activity by the Investment Advisory Body (IAB). The IAB are a panel of three industry experts who prepare and review a list of financial institutions that meet the investment criteria laid down by the governing bodies. As part of our role, we meet with the IAB on an annual basis for a briefing on the investment policy adopted and to discuss related issues arising from our audit. From our work with the IAB we are satisfied they are effectively monitoring the risks that the IOPC Funds are facing in the current economic climate. In particular the IAB considered the following risk areas:
 - any risk arising from continued use of Sterling as the functional currency, given the weakness of the currency in the latter part of 2008;
 - the risk of failure of the main bank used by IOPC Funds, Barclays Bank;
 - the overall risk to investments in the current economic conditions.
12. After a careful risk analysis the IAB concluded that for a variety of reasons, including the renewed strengthening of Sterling means that it remained the best option for the IOPC Funds to use as their functional currency. The IAB also concluded that Barclays Bank stands at no greater risk of failure than any other UK bank and therefore should continue to be used as the main bank of the IOPC Funds. Lastly the IAB continue to use the credit ratings provided by Fitch, Standard & Poor's and Moody's as the most reliable indicator of the credit worthiness of the institutions used by IOPC Funds for making investments. We have concluded that there are no audit issues arising from the investment strategy adopted by the IOPC Funds with support from the IAB.

Contingent Liabilities

13. The financial statements report an increase in the 1992 Fund's contingent liabilities from £326.6 million to £410.4 million in 2008. This is primarily as a result of the position of Sterling which leads to an

increased overall liability, as most compensation liabilities are likely to be paid in other currencies against which Sterling is weaker and consequently the Funds will have to bear any exchange rate loss.

Other financial matters: fraud and irregularity

14. We have confirmed that no cases of fraud, presumptive fraud or irregularity were recorded by the Secretariat. No cases have arisen as a result of our audit examination.

Internal Controls

15. Through our risk based review of internal controls we confirmed that internal financial controls had operated effectively in each of the account areas that we audited and, combined with assurance available from transaction testing, we gained sufficient reliable evidence to support our audit opinion.

Financial Reporting Issues

Adoption of International Public Sector Accounting Standards (IPSAS)

16. The Funds have made significant progress on the preparations for the adoption of International Public Sector Accounting Standards by analysing the key impacts arising from the adoption of these accounting standards. We have worked jointly with the Secretariat to resolve two significant issues which will arise on the adoption of IPSAS, as follows:
 - accounting provisions for compensation claims which have been assessed but not yet paid; and
 - adjustments to accounting disclosures in respect of post balance sheet events between the end of the accounting period and the certification of the financial statements.

Provisions for Compensation Claims

17. International Public Sector Accounting Standards (IPSAS 19) set down the following criteria for a provision (that is recognition of expenditure in the current reporting period) to be made:
 - Where an entity has a present obligation (legal or constructive) as a result of a past event;
 - Where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
 - Where a reliable estimate can be made of the amount of the obligation.



18. To advise IOPC Funds on future accounting treatment for compensation claims we have assessed the possible circumstances arising as a result of an incident, to determine when would be appropriate to recognise an obligation. Incidents involve a number of key events or stages:
- the occurrence of the incident itself;
 - confirmation that it is a qualifying incident;
 - identification of the extent of the damage;
 - receipt of claims;
 - assessment of claims;
 - negotiation and agreement of claims;
 - possible legal processes for disputed claims; and
 - settlement through payment of claims.
19. It is clear that the incidents vary greatly not just in their physical impact but also in their social and environmental consequences. The simple location of the incident, for example, is a significant factor. Hence the economic impact – or even whether an obligation will arise – is very difficult to determine in the first two or three stages above. Therefore we concluded that at this stage the IOPC Funds do not need to recognise a provision.
20. Initial claims may be unrealistic, and bear little relation to the final settlement. Where no reliable estimate of the ultimate liability can be made, we do not consider that any provision is required. If however, the claims received are deemed to be sufficiently accurate (for example if, because of the relatively simple nature of the incident, the claims are straightforward) a provision should be made.
21. During the claims assessment phase, the IOPC Funds will determine what they consider to be an acceptable claim, though of course this may be subject to revision, potentially through the courts. Each year, the Secretariat will need to consider, on a case by case basis, whether outstanding claims are sufficiently accurate and reliable, and recognise a provision accordingly.
22. The IOPC Funds already disclose contingent liabilities in the financial statements and reporting provisions on an appropriate basis will improve the quality of financial reporting, providing clear and valuable information on a critical aspect of the business. This will further enhance effective financial management, as expenditure in respect of compensation claims will be recognised earlier and will allow the IOPC Funds to manage their cash flows more effectively.

Post Balance Sheet Events

23. The IOPC Funds report against an accounting period which ends on 31 December each year. However, the deadline for the certification of the financial statements, as required by the Financial Regulations, is

30 June of the following year. This means that there is potentially a six month window between the end of the accounting period and the finalisation of the financial statements.

24. An important cornerstone of IPSAS is the full and complete disclosure of financial information and in the situation described above there is a risk that significant transactions in respect of compensation payments may take place in the six month window between the closure of the accounting period and the certification of the financial statements. IPSAS 14 sets down relevant criteria for financial statements: that an entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting date, where those adjusting events provide evidence of conditions that existed at the reporting date.
25. This means that where the process of compensation assessment has been started before the end of the accounting period (31 December), but where final assessment and payment takes place after this date, the IOPC Funds may need to recognise an adjustment in their financial statements, if the amounts involved are material.
26. We are pleased to report that the IOPC Funds have enabled their new Web Based Claims Management System to produce a report which would show the claims assessed and approved for payment between the end of the accounting period and a specified date in the future which will be determined by the expected date of certification of the financial statements. Such a report will allow transactions arising in post balance sheet period to be identified and adjusted for if the amounts involved are material.

Preparation for IPSAS

27. The IOPC Funds have also undertaken a review for revision of the Financial Regulations and accounting policies and plan to submit these changes to the 1992 Fund Assembly in October 2009 for approval. Again, we have worked with the Secretariat to ensure that the planned changes to regulations and policies will support IPSAS requirements. The IOPC Funds are also making preparations to train staff ahead of the adoption of IPSAS. We commend the Secretariat for their positive approach to this major change project.

Earlier Completion of the Financial Reporting Process

28. Information reported in the financial statements is of most value to the users of these statements if they are made aware of it soon after the end of the reporting period, thus allowing outcomes from a completed reporting period to be used for future decision making. Improved, more complete and transparent reporting under IPSAS will directly support improved and better-informed decision making.
29. Under the current arrangements, the IOPC Funds report financial results to the governing bodies in October, some ten months after the end of the financial reporting period. In achieving the improvements

in financial reporting that IPSAS will bring, the IOPC Funds may wish to consider whether the timeframe between the end of the accounting period and the certification of the financial statements can be shortened. The benefits of this would be to report the financial results more quickly to the governing bodies, providing earlier more complete financial information supported by an independent audit opinion to assist the decision making process.

30. In order to achieve this, the Secretariat would need to consider the concept of an interim hard closure of the accounts at the end of September, to facilitate an interim audit of nine months of information to take place in the autumn of each year. This would help to accelerate the end of year financial process and lead to an earlier final audit of the financial statements, with the benefit that governing bodies would be able to receive certified financial statements at an earlier meeting, if so desired.

Recommendation 1: We recommend that IOPC Funds consider shortening the period between the end of the reporting period and the certification of the financial statements. In doing so the Secretariat will also need to consider introducing a system of an interim closure of their accounts in September each year with a view to producing interim financial statements for audit. We further recommend that where possible reporting requirements are maintained within the existing calendar of governing body meetings.

Financial Management Issues

Slops Incident

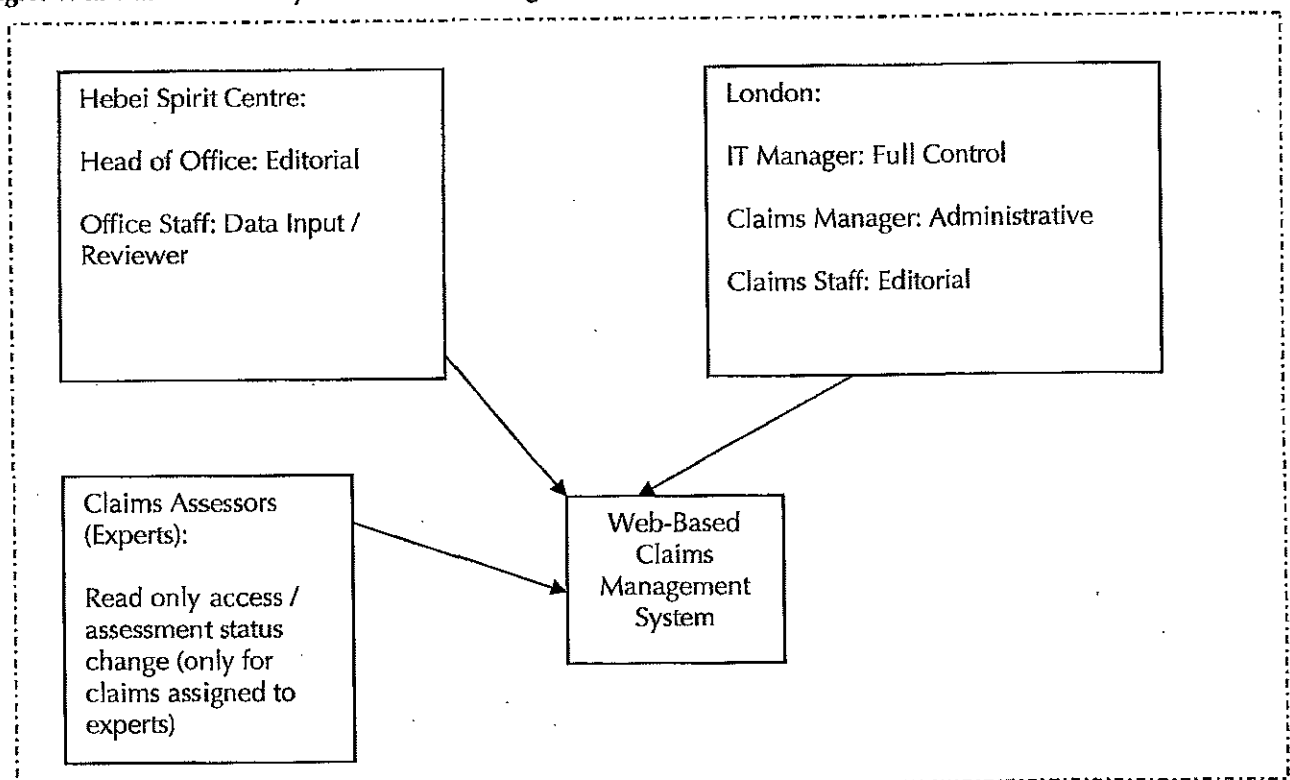
31. Our review of the Income and Expenditure Statement includes testing of the £4.6 million claims expenditure balance. This included a significant payment of £3.1 million in respect of the *Slops* incident involving a waste oil processing facility. The underlying claim was originally rejected on the grounds that it did not fall within the 1992 Convention as it did not meet the Convention's definition of a ship. However, following a lengthy legal process lasting a number of years, the Greek Supreme Court ruled in favour of the claimant and awarded the claimant the value of their original claim, plus interest and legal fees. Given the significant amount paid to the claimant, which represents 70 per cent of the claims expenditure total, we recommended that such a material amount should be disclosed with additional narrative in the notes accompanying the financial statements to ensure transparency for the users of these financial statements.



Web Based Claims Management System

32. The Web-Based Claims Management System (WCMS) is a new database that was developed in-house and introduced in December 2007 to streamline the claims management process. This system is used to centrally record all aspects of the claims handling process, from the initial submission of a claim form through to the final approval and payment of the claim. Typically, the system works as follows:
- The local claims manager will create a user identity for the expert assessor handling the claim.
 - The assessors log onto WCMS to access the claim details and complete an assessment in accordance with the 'IOPC Funds Claims Manual' to determine its validity. The assessor will scan supporting documents into the WCMS to support the conclusion.
 - The Secretariat access WCMS to review the assessor's evaluation and will decide if the claim should be approved and paid.
 - The claim can only be paid once each section of the process has been fully completed and electronically validated.
33. Currently the use of the system is focused around the *Hebei Spirit* incident in The Republic of Korea. The users are the Secretariat, staff based in the Republic of Korea and experts handling the claims. Each user has varying levels of access according to their role, and controls are in place to ensure that each new user is given the appropriate level of access. Access levels are shown at Figure 1.

Fig.1: Web Based Claims System Access Privileges



34. The WCMS database is physically based in London but can be accessed via the internet, which enables the overseas based users to enter data as needed. While the use of internet web access presents a potential risk of unauthorised access through hacking, this risk is mitigated as security features are in situ, such as the use of firewalls and the need for two passwords.
35. At present the system is only used for the *Hebei Spirit* and *Incident in Argentina* and user access is strictly controlled by the IT Manager in London. We are satisfied from our initial review that there is currently an adequate control environment within this system. However, for the future this system will become increasingly important to the operations of the IOPC Funds as it is used for more incidents with greater volumes of data and wider access for a significantly larger number for users. As the system becomes established and more information is processed through it, we plan to carry out more detailed work as the first payments are finalised within the system. Our work will also look at the interface between this system and the Fundman accounting system once live data is passing between them.
36. During the course of the audit we have noted that WCMS offers a range of reporting facilities to generate a range of information on the nature and status of claims. This is particularly helpful to assist in the implementation of IPSAS, in relation to determining the value of provisions and any post balance sheet adjustments.

Progress on Previous Audit Recommendations

37. As part of our responsibilities as External Auditors, we routinely report to the Fund Assembly on management's implementation of prior year audit recommendations, to provide assurance to the Assembly that appropriate action is taken.

Preparation for the move to IPSAS

38. We reviewed progress and are satisfied that the Funds are preparing for this major change programme effectively. We have commented further in this present report on specific issues that have now been resolved in relation to reporting provisions for compensation claims and post balance sheet adjustments. We commend the Secretariat for their proactive and collegiate approach to addressing significant issues arising from the adoption of new accounting standards.

Contributor's Account

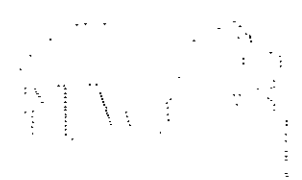
39. In 2005 we identified one contributor who was owed almost £1 million from the Funds (1971 Fund: £487,209 and 1992 Fund: £509,071). This had not been repaid, as the contributor was a dissolved joint venture between two oil companies. We recommended that the Secretariat address this issue and repay the balance. This issue has now been resolved and no monies are outstanding.

Acknowledgement

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


Amyas C E Morse

Comptroller and Auditor General, United Kingdom
External Auditor



SCOPE AND AUDIT APPROACH

Audit Scope and Objectives

Our audit examined the financial statements of the International Oil Pollution Compensation Fund 1992 for the financial period ended 31 December 2008 in accordance with Financial Regulation 14. The main purpose of the audit was to enable us to form an opinion on whether the financial statements fairly presented the Fund's financial position, its surplus, funds and cash flows for the year ended 31 December 2008; and whether they had been properly prepared in accordance with the Financial Regulations.

Audit Standards

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

Audit Approach

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

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

**FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL POLLUTION
COMPENSATION FUND 1992 FOR THE YEAR ENDED 31 DECEMBER 2008**

EXTERNAL AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the International Oil Pollution Compensation Fund 1992 for the financial period ended 31 December 2008. These comprise Statement I, General Fund Joint Secretariat Expenditure; Statement II, Summary of Income and Expenditure Account of the General Fund, Major Claims Funds and the Provident Fund; Statement III, Balance Sheet; Statement IV, Cash Flow Statement; Schedules I to III and the supporting Notes 1-26. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Director and Auditor

The Director is responsible for the preparation and fair presentation of the financial statements, in accordance with requirements of the Financial Regulations as authorised by the Fund's Assembly. This responsibility includes: designing, implementing and maintaining internal control; the fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

My responsibility is to issue a report on the audit of the financial statements, in accordance with Financial Regulation 14. I am required to express an opinion as to whether the financial statements present fairly the financial position at the end of the period and the results of the operations for the period; and that the financial statements were prepared in accordance with the stated accounting policies. I also report to you whether, in all material respects, the transactions have been made in accordance with the financial regulations.


I read the other information attached to the financial statements and consider whether it is consistent with the audited financial statements. This other information consists of the Director's Comments on the Financial Statements and the Statement on Internal Control. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. I am not required to consider whether the Statement on Internal Control covers all risks and controls, or form an opinion on the effectiveness of the International Oil Pollution Compensation Funds corporate governance procedures or its risk and control procedures. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the International Oil Pollution Compensation Funds circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the transactions have been made in accordance with the Financial Regulations and applied to the purposes intended by the Fund's Assembly. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion



In my opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2008 and the results of operations and cash flows for the period then ended in accordance with the International Oil Pollution Compensation Funds stated accounting policies.

Opinion on Regularity

In my opinion, in all material respects, the transactions have been made in accordance with the Financial Regulations and applied to the purposes intended by the Fund's Assembly.

Long Form Report

In accordance with Regulation 14 of the Financial Regulations, I have also issued a long-form report on my audit.



Amyas C E Morse
Comptroller and Auditor General,
United Kingdom,
External Auditor

National Audit Office
London
6th July 2009



ANNEX V

**FINANCIAL STATEMENTS
OF THE INTERNATIONAL OIL
POLLUTION COMPENSATION FUND 1992
FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2008**

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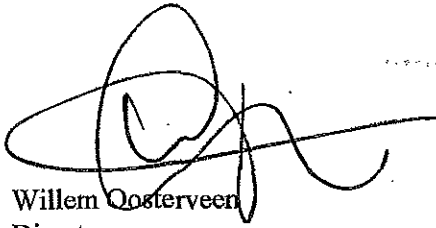
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SCHEDULES

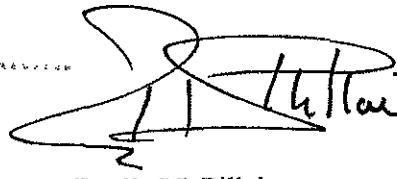
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CERTIFICATION OF THE FINANCIAL STATEMENTS

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



Willem Oosterveen
Director



Ranjit S P Pillai
Head Finance & Administration Department

25 June 2009

STATEMENT I
GENERAL FUND - JOINT SECRETARIAT EXPENDITURE
STATEMENT OF BUDGET APPROPRIATIONS AND OBLIGATIONS INCURRED FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2008

CLASS OF EXPENDITURE	NOTE	BUDGET APPROPRIATIONS		REVISED BUDGET APPROPRIATIONS		OBLIGATIONS INCURRED		BALANCE OF APPROPRIATIONS	
		2008	2007	2008	2007	2008	2007	2008	2007
SECRETARIAT		£	£	£	£	£	£	£	£
I PERSONNEL									
a	2	1 482 034	1 433 650	1 469 996	1 433 650	1 223 456	1 289 229	246 540	144 421
b	2	39 000	35 000	39 944	35 000	39 944	20 574	-	14 426
c		632 666	573 700	632 666	573 700	460 122	437 078	172 544	136 622
		2 152 700	2 042 350	2 142 606	2 042 350	1 723 522	1 746 881	419 084	295 469
II GENERAL SERVICES									
a	10	316 300	280 400	316 300	280 400	291 954	277 299	24 346	3 101
b		80 000	110 000	80 000	110 000	61 293	61 293	3 786	48 707
c		15 000	17 500	15 000	17 500	10 378	3 704	4 622	13 796
d		22 000	22 000	22 000	22 000	11 324	13 922	10 676	8 078
e		73 000	68 000	73 000	68 000	61 380	47 357	11 620	20 643
f		37 500	37 500	37 500	37 500	27 871	25 925	9 629	11 575
g		25 000	25 000	25 000	25 000	22 669	17 704	2 331	7 296
h		180 000	180 000	180 000	180 000	68 117	66 171	111 883	113 829
		748 800	740 400	748 800	740 400	569 907	513 375	178 893	227 025
		1 752 000	2 000 000	1 752 000	2 228 548	1 29 134	228 548	45 866	-
III MEETINGS									
		150 000	160 000	150 000	140 000	14 845	102 733	135 155	37 267
IV TRAVEL									
		150 000	160 000	150 000	140 000	14 845	102 733	135 155	37 267
V MISCELLANEOUS EXPENDITURE									
a	2	62 000	60 500	60 500	60 500	60 500	60 500	-	-
b	2	150 000	180 000	192 040	180 000	192 040	136 921	-	43 079
c	2	110 000	110 000	121 594	110 000	121 594	101 170	-	8 830
d		37 500	37 500	37 500	37 500	37 500	37 500	-	-
		359 500	388 000	411 634	388 000	411 634	336 091	-	51 909
		60 000	60 000	17 960	51 452	-	-	17 960	51 452
		3 646 000	3 590 750	3 646 000	3 590 750	2 849 042	2 927 628	796 958	663 122
TOTAL		2 835 542	2 914 128	2 835 542	2 914 128	2 835 542	2 914 128	2 835 542	2 914 128

Note A: This Statement deals only with administrative expenditure. Expenditure in respect of claims is dealt with in Statement II.1 for the General Fund and in Statements II.2, Statements II.3 and II.4 for the *Erika*, *Prestige* and *Hebei Spirit* Major Claims Funds.

- * External Audit fees payable in 2008 in respect of 2007 Financial Statements
- 1992 Fund - £47 000
- 1971 Fund - £10 000
- Supplementary Fund - £3 500



STATEMENT II

SUMMARY OF INCOME AND EXPENDITURE ACCOUNT OF THE GENERAL FUND, MAJOR CLAIMS FUNDS AND THE PROVIDENT FUND FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2008

	2008						2007	
	General Fund	Erika MCF	Prestige MCF	Hebel Spirit MCF	Provident Fund	Total	Total	Total
INCOME	£	£	£	£	£	£	£	£
Contributions								
Contributions & adjustments to prior years' assessment	3 056 791	-	201 451	48 835 352	339 931	52 433 525		3 325 050
	3 056 791	-	201 451	48 835 352	339 931	52 433 525		3 325 050
Miscellaneous								
Management fee	260 000	-	-	-	-	260 000		345 000
Recovery under STOPIA 2006 (Solar 1 incident)	283 359	-	-	-	-	283 359		4 487 986
Sundry income	273	1 137	-	-	-	1 410		7 429
Interest on loans to HNS Fund & Supplementary Fund	6 542	-	-	-	-	6 542		6 933
Interest on overdue contributions	10 177	-	-	22 136	-	32 313		2 448
Interest on investments	1 503 148	2 329 052	1 215 117	365 875	162 761	5 575 953		5 373 709
	2 063 499	2 330 189	1 215 117	388 011	162 761	6 159 577		10 223 525
Total income	5 120 290	2 330 189	1 416 568	49 223 363	502 692	58 593 102		13 548 575
EXPENDITURE								
Secretariat expenses								
Obligations incurred	2 835 542	-	-	-	-	2 835 542		2 914 128
Claims								
Compensation	4 254 152	121 120	251 641	-	-	4 626 913		7 295 351
Less compensation recovered following court of appeal decision	-	-	-	-	-	-		(379 287)
Claims related expenditure	3 435 158	837 417	1 979 071	140 199	-	6 391 845		3 356 578
Less Reimbursement of joint costs from P&I Club	(131 856)	-	(171 669)	-	-	(303 525)		(20 133)
Loans/ withdrawals	-	-	-	-	62 009	62 009		634 511
Total expenditure	10 392 996	958 537	2 059 043	140 199	62 009	13 612 784		13 801 128
Income less expenditure	(5 272 706)	1 371 652	(642 475)	49 083 164	440 683			
Exchange adjustment	142	5 360 895	1 830 959	-	-			
Balance b/f 1 January	25 893 602	43 588 233	23 004 082	-	1 714 266			
Balance at 31 December	20 621 038	50 320 780	24 192 566	49 083 164	2 154 949			

STATEMENT II.1

GENERAL FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2008

	Note	2008		2007	
		£	Total £	£	Total £
INCOME					
Contributions (Schedule I)					
Contributions		2 930 230		2 826 375	
Adjustment to prior years' assessment	3	126 561		15 000	
			3 056 791		2 841 375
Miscellaneous					
Management fee	4	260 000		345 000	
Recovery under STOPIA 2006 (<i>Solar 1</i> incident)	1(e)/5	283 359		4 487 986	
Sundry income	6	273		3 209	
Interest on loan to HNS Fund	7	6 542		6 165	
Interest on loan to Supplementary Fund		-		788	
Interest on overdue contributions	8	10 177		2 329	
Interest on investments	9	1 503 148		1 620 550	
			2 063 499		6 466 027
Total income			5 120 290		9 307 402
EXPENDITURE					
Secretariat expenses (Statement I)					
Obligations incurred	10		2 835 542		2 914 128
Claims (Schedule II)					
Compensation	1(e)/5		4 254 152		4 796 896
Claims related expenses (Schedule II)					
Fees		3 311 860		258 158	
Less Reimbursement of costs from P&I Club - <i>Solar 1</i>	11	(120 931)		-	
Travel		109 891		49 374	
Miscellaneous		13 407		34 341	
Less Reimbursement of costs from P&I Club - <i>Solar 1</i>	11	(10 925)		-	
			3 303 302		341 873
Total expenditure			10 392 996		8 052 897
(Shortfall)/excess of income over expenditure			(5 272 706)		1 254 505
Exchange adjustment	12		142		48
Balance b/f: 1 January			25 893 602		24 639 049
Balance as at 31 December	24		20 621 038		25 893 602

STATEMENT II.2

ERIKA MAJOR CLAIMS FUND

**INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2008**

	Note	2008		2007	
		£	Total £	£	Total £
INCOME					
Miscellaneous					
Sundry income	6	1 137		4 220	
Interest on investments	9	2 329 052		2 350 639	
			2 330 189		2 354 859
Total income			2 330 189		2 354 859
EXPENDITURE (Schedule II)					
Compensation		121 120		1 389 031	
Less compensation recovered following Court of Appeal decision		-		(379 287)	
Fees		836 465		1 066 945	
Travel		-		3 771	
Miscellaneous		952		574	
Total expenditure			958 537		2 081 034
Excess/(Shortfall) of income over expenditure			1 371 652		273 825
Exchange adjustment	12		5 360 895		1 281 852
Balance b/f: 1 January			43 588 233		42 032 556
Balance at 31 December	24		50 320 780		43 588 233

STATEMENT II.3

PRESTIGE MAJOR CLAIMS FUND

**INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2008**

	Note	2008		2007	
		£	Total £	£	Total £
INCOME					
Contributions (Schedule I)					
Adjustment to prior years' assessment	3	201 451		149 492	
			201 451		149 492
Miscellaneous					
Interest on overdue contributions		-		119	
Interest on investments	9	1 215 117		1 271 566	
			1 215 117		1 271 685
Total income			1 416 568		1 421 177
EXPENDITURE (Schedule II)					
Compensation		251 641		1 109 424	
Fees		1 975 340		1 934 927	
Less Reimbursement of joint costs from P&I Club	11	(171 669)		(20 153)	
Travel		1 692		5 989	
Miscellaneous		2 039		2 499	
Total expenditure			2 059 043		3 032 686
Excess/(Shortfall) of income over expenditure			(642 475)		(1 611 509)
Exchange adjustment	12		1 830 959		508 899
Balance b/f: 1 January			23 004 082		24 106 692
Balance as at 31 December	24		24 192 566		23 004 082

STATEMENT II.4

HEBEI SPIRIT MAJOR CLAIMS FUND

**INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2008**

	Note	2008	
		£	Total £
INCOME			
Contributions (Schedule I)			
Contributions		48 835 352	
			48 835 352
Miscellaneous			
Interest on overdue contributions	8	22 136	
Interest on investments	9	365 875	
			388 011
Total income			49 223 363
EXPENDITURE (Schedule II)			
Fees		140 197	
Miscellaneous		2	
Total expenditure			140 199
Excess/(Shortfall) of income over expenditure			49 083 164
Balance as at 31 December	24		49 083 164

STATEMENT IL5

STAFF PROVIDENT FUND

RECEIPTS AND PAYMENTS ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2008

	Note	2008	2007
		£	£
Accounts of staff members as at 1 January		1 714 266	1 883 640
RECEIPTS			
Contributions of staff members	13	113 309	111 316
Contributions of IOPC Funds	13	226 622	222 867
Interest received	9,13	162 761	130 954
		502 692	465 137
PAYMENTS			
Housing loans		18 000	58 202
Withdrawal on separation		44 009	576 309
		62 009	634 511
Accounts of staff members as at 31 December		2 154 949	1 714 266



STATEMENT III

BALANCE SHEET OF THE 1992 FUND AS AT 31 DECEMBER 2008

		2008					2007	
	Note	General Fund	Erika MCF	Prestige MCF	Hebel Spirit MCF	Total	Total	
		£	£	£	£	£	£	
ASSETS								
Cash at banks and in hand	14	22 625 924	50 310 358	23 113 132	45 351 318	141 400 732	94 023 283	
Contributions outstanding	15	126 146	-	465 067	3 714 072	4 305 285	386 176	
Interest on overdue contributions outstanding	8	8 930	-	15 120	17 774	41 824	26 636	
Due from HNS Fund	7	170 163	-	-	-	170 163	127 279	
Tax recoverable	16	70 309	10 422	599 247	-	679 978	518 233	
Miscellaneous receivable	17	128 729	-	-	-	128 729	35 562	
TOTAL ASSETS		23 130 201	50 320 780	24 192 566	49 083 164	146 726 711	95 119 169	
LIABILITIES								
Staff Provident Fund	13	2 154 949	-	-	-	2 154 949	1 714 266	
Due to P&I Club under STOPIA 2006 (Solar 1 incident)	5	78	-	-	-	78	-	
Due to 1971 Fund	18	4 492	-	-	-	4 492	13 095	
Due to Supplementary Fund	19	6 464	-	-	-	6 464	-	
Accounts payable	20	5 889	-	-	-	5 889	25 850	
Unliquidated obligations	21	100 790	-	-	-	100 790	128 496	
Prepaid contributions	22	72 510	-	-	-	72 510	4 259	
Contributors' account	23	163 991	-	-	-	163 991	747 286	
TOTAL LIABILITIES		2 509 163	-	-	-	2 509 163	2 633 252	
FUNDS BALANCES								
Working capital		22 000 000	-	-	-	22 000 000	22 000 000	
Surplus / (Deficit)		(1 378 962)	50 320 780	24 192 566	49 083 164	122 217 548	70 485 917	
GENERAL FUND AND MAJOR CLAIMS FUNDS (MCFs) BALANCES	24	20 621 038	50 320 780	24 192 566	49 083 164	144 217 548	92 485 917	
TOTAL LIABILITIES, GENERAL FUND AND MCFs BALANCES								
		23 130 201	50 320 780	24 192 566	49 083 164	146 726 711	95 119 169	

STATEMENT IV

**CASH FLOW STATEMENT OF THE 1992 FUND
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2008**

	2008		2007	
	£	£	£	£
Cash as at 1 January		94 025 283		91 445 476
OPERATING ACTIVITIES				
Operating Surplus	46 318 439		(3 535 136)	
Decrease/(Increase) in Debtors	(4 232 093)		1 031 037	
Increase/(Decrease) in Creditors	(320 542)		(328 845)	
Net cash flow from operating activities		41 765 804		(2 832 944)
RETURNS ON INVESTMENTS				
Interest on investments	5 609 645		5 412 751	
Net cash inflow from returns on investments		5 609 645		5 412 751
Cash as at 31 December		141 400 732		94 025 283

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 SDR 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).

For incidents that fall under Small Tanker Oil Pollution Indemnification Agreement (STOPIA) 2006 expenses in respect of any one incident are to be charged to the General Fund up to 4 million SDR after having taken into account any reimbursements made by the shipowner/P&I Club for part of the compensation payable by the 1992 Fund under the 1992 Fund Convention and expenses over that amount will be charged to the Major Claims Fund.

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

(f) Contingent liabilities

In accordance with Financial Regulation 12.3(b), details of contingent liabilities are given in **Schedule III**. Estimates of contingent liabilities include all known or likely claims against the 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. A report on contributions is provided in **Schedule I**.

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

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

(h) Interest on contributors' account

In accordance with Internal Regulation 3.9 any credit balance on a contributors' account bears interest. The interest is added to the credit balance every year when levies are due or reimbursements are made, normally on the 1 March.

(i) 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 better interest rates.

Investments of assets of Major Claims Funds may be made in currencies other than Pounds sterling to meet payments in respect of a particular incident. The interest earned on investments in currencies other than Pounds sterling are credited directly to the respective Major Claims Fund.

(j) Loans between funds

Financial Regulations 7.1(c)(iv) and 7.2(d), respectively, provide that loans can be made from the General Fund to a Major Claims Fund and from a Major Claims Fund to the

General Fund or to another Major Claims Fund. Such loans shall be reimbursed with interest, in accordance with Financial Regulations 7.1(a)(iv) and 7.2(b)(iii).

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

(k) Translation of currencies

The majority of the 1992 Fund's assets and liabilities at the end of the financial period 2008 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.

If in relation to Major Claims Funds currencies are bought for Pounds sterling and invested in accordance with Financial Regulation 10.4(a), any gains or losses at the end of the financial year arising from holding these currencies are credited or debited to the respective Funds.

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

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

For the translation of all monetary assets and liabilities, the rate applied is the rate of exchange for the Pound sterling against various currencies on 31 December 2008 (the last banking day of 2008) as published in the London Financial Times.

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 **Statement I**. Within the authority given to the Director under that Regulation four transfers were made, namely:

- Two transfers within Chapters

Chapter	Transfer from appropriation	Transfer to appropriation	Amount £
I	Salaries	Separation and recruitment	4 944
V	External Audit	Audit Body	1 500

- One transfer between Chapters

Chapter	Transfer from appropriation	Chapter	Transfer to appropriation	Amount £
I	Salaries	V	Audit Body	10 094

- One transfer was made, which was authorised by the Assembly at its 2008 session (document 92FUND/A.13/25, paragraph 27.2) since that transfer did not fall within the Director's authority under Financial Regulation 6.3, namely:

Chapter	Transfer from appropriation	Chapter	Transfer to appropriation	Amount £
VI	Unforeseen expenditure	V	Consultants	42 040

3 Adjustments to prior years' assessments

Adjustments made in 2008 in respect of previous years assessments based on contributing oil reports received late totals £328 012 as set out in the following table:

	Applicable Oil receipt year	Contributions levied £
Russian Federation		
General Fund 2002	2001	5 874
General Fund 2003	2002	17 714
General Fund 2006	2005	6 287
Prestige Major Claims Fund	2001	201 451
Japan		
General Fund 2006	2005	52
Panama		
General Fund 2004	2003	11 067
General Fund 2006	2005	2 150
Malaysia		
General Fund 2006	2005	9 205
Venezuela		
General Fund 2006	2005	22 666
Mauritius		
General Fund 2006	2005	1 122
Mexico		
General Fund 2006	2005	25 184
United Kingdom		
General Fund 2006	2005	25 240
Total		328 012

4 Management fee

At their October 2007 sessions the 1992 Fund Assembly and the 1971 Fund Administrative Council decided that the 1971 Fund should pay a flat management fee towards the cost of running the joint Secretariat. The fee was set in the budget at £210 000 for the period 1 January to 31 December 2008 (documents 92FUND/A.12/28, paragraph 22.3 and Annex and 71FUND/AC.22/18, paragraph 16.3 and Annex).

At the same sessions the 1992 Fund Assembly and the Supplementary Fund Assembly decided that the Supplementary Fund should pay a flat management fee towards the cost of running the joint Secretariat. The fee was set in the budget at £50 000 for the period 1 January to 31 December 2008 (documents 92FUND/A.12/28, paragraph 22.3 and Annex and SUPPFUND/A/3/20, paragraph 16.3 and Annex).

In the 2008 financial statements the management fee receivable from the 1971 Fund and the Supplementary Fund are included in the income of the General Fund. Obligations incurred for the Secretariat expenses therefore represents the cost of running the joint Secretariat and the External Auditor's fees for the 1992 Fund only.

Recovery from the P&I Club under the STOPIA 2006 Agreement

As set out in Note 1(e) the 1992 Fund is entitled to indemnification by the shipowner of the difference between the limitation amount applicable to the ship under the 1992 Civil Liability Convention and the total amount of the admissible claims or 20 million SDR, whichever is the lower.

The STOPIA 2006 Agreement covers the *Solar I* incident, which occurred in the Philippines on 11 August 2006.

Of the Managers' Cheques (Bankers Drafts) issued in 2008, cheques for a total Philippine Peso 5 800 (£78) were cancelled mainly due to non collection of the cheques by claimants. This amount has been included under 'Miscellaneous receivable' in the Balance Sheet. As the 1992 Fund had already invoiced the P&I Club for the compensation paid under STOPIA 2006, the corresponding credit due to the P & I Club is included under 'Due to P&I Club under STOPIA 2006' in the Balance Sheet. Both 'Compensation' paid and the 'Recovery under STOPIA 2006' in the General Fund, Income and Expenditure Account for 2008 has been adjusted with the value of the cancelled Managers' Cheques.

The 1992 Fund invoiced and received in 2008 from the P&I Club a total amount of £283 359 in respect of payments made.

6 Sundry income

The figure of £273 in **Statement II.1** includes refund of £259 of group life insurance premium.

Sundry income in **Statement II.2** totalling £1 137 received in respect of *Erika* Major Claims Fund represents court orders to pay the 1992 Fund for legal costs incurred following settlement of court cases.

7 Due from the International Hazardous and Noxious Substance Fund

The Diplomatic Conference which adopted the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, 1996 (HNS Convention) had requested the 1992 Fund Assembly to assign to the Director of the 1992 Fund, the administrative tasks necessary for the setting up of the HNS Fund, provided that such tasks should be undertaken on the basis that all expenses would be repaid by the HNS Fund. At its first session the 1992 Fund Assembly instructed the Director to carry out the tasks requested by the HNS Diplomatic Conference (document 92FUND/A.1/34, paragraph 31.1-31.3). As a result of this decision any expenses relating to the preparation for the entry into force have been treated as loans from the 1992 Fund.

The figure of £6 542 in **Statement II.1** represents interest due on loans totalling £146 447 made by the General Fund to the HNS Fund. This amount includes loan of £36 342 from the General Fund made during the financial period 2008 mainly in relation to 3 days of meetings held in 2008. The total amount due from the HNS Fund, including cumulative interest, is £170 163.

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 3.8.

As set out in Note 1(g) above interest on overdue contributions, either received or receivable, is included only in the year in which the outstanding contribution is paid. Therefore when an outstanding contribution is paid, an invoice is raised in respect of the corresponding interest and the

interest income is accounted for. Interest is charged on contributions outstanding for the whole period for which they remain outstanding. Such income is shown under 'Miscellaneous' in the Income and Expenditure statements of the General Fund and respective Major Claims Funds as 'Interest on overdue contributions'.

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

Interest on overdue contributions totalling £41 824 was receivable as at 31 December 2008.

9 Interest on investments

As at 31 December 2008 the 1992 Fund's portfolio of investments comprised of the 1992 Fund's bank deposits in respect of the General Fund, the *Erika*, *Prestige* and *Hebei Spirit* Major Claims Funds, the Contributors' Account, and the Provident Fund. In relation to the *Erika* and *Prestige* Major Claims Funds investments were also held in Euro and the interest earned on these Euro investments are credited directly to the respective Major Claims Fund. The distribution of the deposits by financial institution is set out in Note 14.

Interest received in 2008 on the investments amounted to £5 609 645. This amount is distributed as follows:

	£
General Fund	1 503 148
<i>Erika</i> Major Claims Fund	2 329 052
<i>Prestige</i> Major Claims Fund	1 215 117
<i>Hebei Spirit</i> Major Claims Fund	365 875
Staff Provident Fund	162 761
Contributors' account	<u>33 692</u>
	<u>5 609 645</u>

10 Obligations incurred

The figure of £2 835 542 represents the cost of running the joint Secretariat (see **Statement I**). This amount includes the External Auditor's fees for the 1992 Fund of £47 000 and excludes the External Auditor's fees for the 1971 Fund of £10 000 and the Supplementary Fund of £3 500.

It should be noted that the United Kingdom Government meets 80% of the costs related to the rental of the Portland House Secretariat offices and storage space. The total rental payments of the Secretariat offices and storage space made for 2008 amounted to £476 500 with the United Kingdom Government's share being £381 200.

11 Reimbursements of joint costs

Under the Memorandum of Understanding (MOU) between the P&I Clubs and the 1992 Fund, joint claims related costs are apportioned between the P&I Clubs and the 1992 Fund based on their respective compensation liability.

In respect of the *Solar I* and the *Prestige* incidents reimbursements of £131 856 and £171 669, respectively were received in 2008 from the Clubs.

12 Exchange adjustment

With respect to the *Erika* and *Prestige* Major Claims Funds, Euros were bought for Sterling and invested. Compensation payments made in Euros in respect of the *Erika* and *Prestige* incidents have been converted at the rate at which the currency was purchased, on a first in first out basis.

As at 31 December 2008 there was an exchange gain of £5 358 835 from currency revaluation of Euros held with respect of the *Erika* Major Claims Fund and an exchange gain of £1 699 106 from currency revaluation of Euros held with respect of the *Prestige* Major Claims Fund.

The exchange gain from revaluation of taxes reimbursed and to be reimbursed in Euros by the French and Spanish authorities as at 31 December 2008 were £2 060 and £131 853 in relation to the *Erika* Major Claims Fund and the *Prestige* Major Claims Fund respectively. Exchange gains have been credited to the respective Fund (Note 1(k)).

13 Staff Provident Fund (Statement II.5)

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).

The Provident Fund is invested together with the 1992 Fund's assets. The basis of calculation of the interest on the Provident Fund is that laid down by the 1971 Fund Executive Committee in 1980. (Record of Decisions, document FUND/EXC.2/6, item 6). 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 £141 400 732, which includes a balance of £163 991 on the Contributors' Account and £2 154 949 on the Staff Provident Fund, was held in various financial institutions and accounts as follows:

Time deposit accounts

	£	£
<u>Pounds sterling</u>		
ABN Amro Bank	4 500 000	
Alliance & Leicester plc	7 500 000	
Allied Irish Banks plc	3 750 000	
Bank of Ireland	2 000 000	
Bank of Scotland	10 000 000	
Barclays Bank plc	5 400 000	
Clydesdale Bank plc	13 500 000	
Credit Industriel et Commercial	3 000 000	
DBS Bank plc	9 250 000	
Depfa Bank plc	5 250 000	
KBC Bank NV	4 500 000	
Nationwide Building Society	13 000 000	
Royal Bank of Scotland	3 000 000	
Svenska Handelsbanken	14 900 000	
UBS AG	4 500 000	
Ulster Bank Ireland Ltd	<u>6 750 000</u>	
		110 800 000

Foreign Currency Deposits (Pounds sterling equivalent)

Erika Major Claims Fund (Euro deposits)

ABN Amro Bank	11 482 864
BNP Paribas	11 053 432

Prestige Major Claims Fund (Euro deposits)

Barclays Bank plc	<u>7 179 403</u>
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29 715 699

Current and call deposits accounts

Bank of Scotland - Call a/c	715 619
Barclays Bank plc - £ Business Premium/ Current a/cs	169 048
Petty cash imprest a/c	<u>366</u>

885 033

141 400 732

(b) Office machines, furniture and other supplies

As set out in Note 1(c), office machines, furniture and other supplies are not shown as assets in the Balance Sheet.

As at 31 December 2008 the purchase value of these supplies and equipment, including furniture and equipment purchased during 2008, amounts to £475 636 made up as follows:

	Office equipment £	Office furniture £	Library £
Balance b/f	297 512	142 361	18 530
Additions in 2008	41 661	9 296	204
Less disposals in 2008	(33 928)	-	-
Balance c/f	<u>305 245</u>	<u>151 657</u>	<u>18 734</u>

15 Contributions outstanding

Outstanding contributions due to the 1992 Fund as at 31 December 2008 totalled £4 305 285. A report on contributions outstanding is provided in **Schedule I**.

16 Tax recoverable

The amount recoverable of £679 978 is made up as follows:

		€	£
Due from the United Kingdom Government	VAT		64 957
	Insurance Premium Tax / Airport Departure Tax		4 677
Due from the French Government	TVA	51 975	50 247
Due from the Spanish Government	IVA	579 365	560 097
	Total		<u>679 978</u>

17 Miscellaneous receivable

The amount of £128 729 consists mainly of the following:

- (a) £95 300 represent 80% of the costs related to the rental of the Portland House Secretariat offices and storage space to be met by United Kingdom Government;
- (b) £18 946 paid for 2009 subscriptions to the health insurance scheme, 50% of which will be recovered from staff members and 50% charged to 2009 expenditure;
- (c) £9 377 representing salary advances to be recovered from staff members in 2009 under Staff Rule IV.11;
- (d) £4 756 to be reimbursed by the Club being joint costs in relation to the *Hebei Spirit* incident;
- (e) £244 representing amounts due from the credit card company; and
- (f) £78 represents balance held with the bank in the Philippines with respect of the cancelled Managers' Cheques (cf Note 5).

18 Payment due to 1971 Fund

As at 31 December 2008, an amount of £4 492 was due from the 1992 Fund to the 1971 Fund. This amount consists mainly of claims related payments made on behalf of the 1992 Fund in respect to the joint *Al Jaziah* incident (see **Schedule II**).

19 Payment due to Supplementary Fund

As at 31 December 2008, an amount of £6 464 was due from the 1992 Fund to the Supplementary Fund. This amount comprises of contributions received by the 1992 Fund on behalf of the Supplementary Fund.

20 Accounts payable

The amount of £5 889 consists of the following:

- (a) £1 356 payable to the travel agent in relation to travel undertaken in 2008;
- (b) £909 payable to staff members in relation to travel undertaken in 2008; and
- (c) £3 624 being National Insurance Contributions payable in January 2009.

21 Unliquidated obligations

The figure of £100 790 is made up of obligations incurred in 2008 but unliquidated at 31 December 2008.

The unliquidated obligations consist of the following amounts:

- (a) £48 387 for consultants fees;
- (b) £26 031 due to the International Maritime Organization (IMO) in respect of rent, rates and service charges for 2008 in respect of the offices retained in the IMO building and medical services in 2008;

- (c) £6 563 due to the IOPC Funds' landlord in respect of service charge for the office premises; and
- (d) £19 809 for various supplies.

22 Prepaid contributions

The amount of £72 510 comprises of £20 517 being 2006 contributions due by 15 January 2009 and £51 993 of 2008 contributions due by 1 March 2009 but received in 2008, from contributors in the following Member States:

Member State	General Fund £
Belgium	28 571
France	15 041
New Zealand	8 381
United Kingdom	20 517

23 Contributors' account

The amount of £163 991 is the balance on the Contributors' account after the deduction of amounts repaid to contributors or offset against contributions. The amount includes interest of £33 692 credited in 2008 to contributors as provided in Internal Regulation 3.9.

24 Funds' Balances

The figure of £20 621 038 represents the excess of Income over Expenditure in respect of the General Fund. The balance is lower than the working capital, which at 31 December 2008 was £22 million, as decided by the Assembly at its October 2004 session.

The balances in respect of the Major Claims Funds are set out below and represent excess of Income over Expenditure:

	£
<i>Erika</i> Major Claims Fund	50 320 780
<i>Prestige</i> Major Claims Fund	24 192 566
<i>Hebei Spirit</i> Major Claims Fund	49 083 164

25 Separation benefits

Under the Staff Regulations and Rules, staff members are entitled to certain benefits upon separation from service. Expenditure is recorded in the year in which the benefits are paid. Entitlements and the corresponding liabilities as at 31 December 2008 are estimated as follows:

	£
Repatriation	
- travel and removal costs	65 000
- grant	<u>153 958</u>
	218 958
Annual leave	<u>97 524</u>
	<u>316 482</u>

Financial instruments

Dual Currency Deposits

Since 2002 the 1992 Fund had invested Sterling in the form of Dual Currency Deposits (DCDs) in line with the recommendation of the Investment Advisory Body. Three DCDs were placed in 2008.

A DCD is a type of deposit where an amount is placed in Sterling (the base currency) with a financial institution which meets the 1992 Fund's investment criteria for prudent investment at an enhanced rate of interest. In return for this enhanced yield there is a possibility that the principal sum will be repaid by the financial institution in a second predetermined currency (eg Euros) if, at expiry of the deposit, the exchange rate between Sterling and the second currency is below a certain rate (ie a predetermined conversion rate chosen at the time the deposit is placed). The duration of each deposit is selected to satisfy the 1992 Fund's cash flow requirements. The possibility that the principal amount will be converted to Euros at the predetermined conversion rate, known as the strike rate, is acceptable to the 1992 Fund as it has an on-going requirement for Euros to meet claims arising from the *Erika* and *Prestige* incidents.

A DCD cannot be treated as a hedging instrument as the currency in which the principal amount will be repaid is not certain at the time the deposit is placed. However, the 1992 Fund's hedging position must be considered when deciding whether or not to invest in a DCD as a capital repayment in Euros would increase the 1992 Fund's hedging ratio, and this must not exceed a level deemed appropriate for the 1992 Fund. The interest will always be repaid in Sterling.

In 2008, nine DCDs totalling £22 500 000 matured with the principal sum repaid in Sterling. Net additional interest of £233 336 was earned on these investments. As at 31 December 2008 one DCD totalling £3 000 000 remains outstanding and will mature in 2009.

* * *

SCHEDULE I

REPORT ON CONTRIBUTIONS DURING THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2008 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 compensation payments and claims related expenditure up to a maximum amount for each incident of Pounds sterling equivalent of 4 million SDR per incident converted at the rate applicable on the date of the incident. For an incident which gives rise to payments by the 1992 Fund in excess of 4 million SDR, a Major Claims Fund is established to cover such payments.
- 2 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.
- 3 As at 31 December 2008, 102 States were members of the 1992 Fund.
- 4 At its session in October 2007 the Assembly decided to levy contributions (2007 contributions) with respect to the General Fund of £3 million for payment by 1 March 2008.
- 5 In addition, the Administrative Council, acting on behalf the Assembly, at its session in June 2008, decided to levy contributions (2008 contributions) of £50 million to the *Hebei Spirit* Major Claims Fund payable by 1 November 2008.
- 6 A comprehensive report on the payment of contributions as at 23 September 2008 was submitted to the Assembly at its 13th session (document 92FUND/A.13/12). The report contained in this schedule is a comprehensive up-date of the earlier reports. An amount of £ 4 305 285 or 1.05% of the total amount levied over the years (£411.6 million) remains outstanding as at 31 December 2008 as set out below:



OUTSTANDING CONTRIBUTIONS				
State	General Fund 2007 £ (Due date 01.03.08)	Hebel Spirit MCF £ (Due date 01.11.08)	Previous levies Total £	Total £
Angola	3 646.03	60 764.84	-	64 410.87
Cameroon	-	55 954.13	-	55 954.13
Denmark	-	5 313.23	-	5 313.23
France	-	183 632.78	-	183 632.78
Germany	-	9 885.27	-	9 885.27
Ghana	-	55 725.32	-	55 725.32
India	-	1 789 945.91	-	1 789 945.91
Italy	-	251 923.29	-	251 923.29
Jamaica	-	11 725.05	-	11 725.05
Japan	-	30.76	-	30.76
Malaysia	-	549 246.06	-	549 246.06
Mauritius	-	10 239.31	-	10 239.31
Netherlands	-	180 493.92	-	180 493.92
Norway	-	4 827.38	-	4 827.38
Nigeria	-	-	1 046.80	1 046.80
Panama	2 739.12	45 650.27	292 552.02	340 941.41
Portugal	-	13 721.56	-	13 721.56
Russian Federation	8 443.38	140 717.62	255 831.09	404 992.09
United Kingdom	933.97	69 936.14	-	70 870.11
Venezuela	16 461.01	274 339.59	9 559.22	300 359.82
	32 223.51	3 714 072.43	558 989.13	4 305 285.07

GENERAL FUND AS AT 31.12.2008
2007 CONTRIBUTIONS DUE BY 1 MARCH 2008
(BASED ON 2006 OIL RECEIPTS)

Member State	Assessment £	Receipt £	Outstanding £	% Paid
<1> Albania	-	-	-	-
Algeria	1 578.10	1 578.10	0.00	100.00
Angola	3 646.03	0.00	3 646.03	0.00
<1> Antigua and Barbuda	-	-	-	-
Argentina	27 978.31	27 978.31	0.00	100.00
Australia	56 436.12	56 436.12	0.00	100.00
Bahamas	22 336.33	22 336.33	0.00	100.00
<1> Bahrain	-	-	-	-
Barbados	476.95	476.95	0.00	100.00
Belgium	11 231.46	11 231.46	0.00	100.00
<2> Belize	-	-	-	-
<1> Brunei Darussalam	-	-	-	-
Bulgaria	14 026.14	14 026.14	0.00	100.00
<2> Cambodia	-	-	-	-
Cameroon	3 357.38	3 357.38	0.00	100.00
Canada	134 959.69	134 959.69	0.00	100.00
<1> Cape Verde	-	-	-	-
China (HKSAR)	12 748.50	12 748.50	0.00	100.00
Colombia	647.67	647.67	0.00	100.00
<2> Comoros	-	-	-	-
<2> Congo	-	-	-	-
Croatia	5 023.02	5 023.02	0.00	100.00
Cyprus	2 268.99	2 268.99	0.00	100.00
Denmark	11 117.28	11 117.28	0.00	100.00
<2> Djibouti	-	-	-	-
<1> Dominica	-	-	-	-
<2> Dominican Republic	-	-	-	-
<1> Estonia	-	-	-	-
<1> Fiji	-	-	-	-
Finland	23 782.56	23 782.56	0.00	100.00
France	197 525.88	197 525.88	0.00	100.00
<1> Gabon	-	-	-	-
<1> Georgia	-	-	-	-
Germany	75 819.42	75 819.42	0.00	100.00
Ghana	3 371.76	3 371.76	0.00	100.00
Greece	43 137.79	43 137.79	0.00	100.00
<2> Grenada	-	-	-	-
<2> Guinea	-	-	-	-
<1> Iceland	-	-	-	-
India	246 310.15	246 310.15	0.00	100.00
Ireland	8 282.01	8 282.01	0.00	100.00
Israel	23 968.44	23 968.44	0.00	100.00
Italy	270 979.62	270 979.62	0.00	100.00
Jamaica	5 862.69	5 862.69	0.00	100.00
Japan	501 292.63	501 292.63	0.00	100.00
<2> Kenya	-	-	-	-
<1> Latvia	-	-	-	-
<1> Liberia	-	-	-	-
Lithuania	5 831.98	5 831.98	0.00	100.00
<1> Luxembourg	-	-	-	-
<1> Madagascar	-	-	-	-



Member State	Assessment £	Receipt £	Outstanding £	% Paid
Malaysia	58 788.45	58 788.45	0.00	100.00
<2> Maldives	-	-	-	-
Malta	3 979.36	3 979.36	0.00	100.00
<1> Marshall Islands	-	-	-	-
Mauritius	1 005.74	1 005.74	0.00	100.00
Mexico	21 260.00	21 260.00	0.00	100.00
<1> Monaco	-	-	-	-
Morocco	12 611.12	12 611.12	0.00	100.00
<1> Mozambique	-	-	-	-
<1> Namibia	-	-	-	-
Netherlands	204 079.93	204 079.93	0.00	100.00
<2> Netherlands Antilles	-	-	-	-
<2> Netherlands Aruba	-	-	-	-
New Zealand	9 337.62	9 337.62	0.00	100.00
<2> Nigeria	-	-	-	-
Norway	35 140.84	35 140.84	0.00	100.00
<2> Oman	-	-	-	-
Panama	6 912.31	4 173.19	2 739.12	60.37
<2> Papua New Guinea	-	-	-	-
Philippines	22 935.70	22 935.70	0.00	100.00
Poland	1 803.77	1 803.77	0.00	100.00
Portugal	30 128.17	30 128.17	0.00	100.00
<1> Qatar	-	-	-	-
Republic of Korea	243 400.63	243 400.63	0.00	100.00
Russian Federation	8 443.38	0.00	8 443.38	0.00
<2> Saint Kitts and Nevis	-	-	-	-
<2> Saint Lucia	-	-	-	-
<1> Saint Vincent and the Grenadines	-	-	-	-
<2> Samoa	-	-	-	-
<1> Seychelles	-	-	-	-
<1> Sierra Leone	-	-	-	-
Singapore	154 261.35	154 261.35	0.00	100.00
<1> Slovenia	-	-	-	-
<2> South Africa	-	-	-	-
Spain	126 408.24	126 408.24	0.00	100.00
Sri Lanka	4 559.82	4 559.82	0.00	100.00
Sweden	46 882.30	46 882.30	0.00	100.00
<1> Switzerland	-	-	-	-
<2> Tanzania	-	-	-	-
<1> Tonga	-	-	-	-
Trinidad and Tobago	8 698.25	8 698.25	0.00	100.00
Tunisia	6 613.29	6 613.29	0.00	100.00
Turkey	47 270.77	47 270.77	0.00	100.00
<2> Tuvalu	-	-	-	-
<1> United Arab Emirates	-	-	-	-
United Kingdom	141 595.00	140 661.03	933.97	99.34
Uruguay	3 656.28	3 656.28	0.00	100.00
<1> Vanuatu	-	-	-	-
Venezuela	16 461.01	0.00	16 461.01	0.00
Total	2 930 230.23	2 898 006.72	32 223.51	98.90

<1> No liability for 2007 contributions to the General Fund.

<2> Reports on contributing oil receipts in 2006 not submitted by 31 December 2008.

HEBEI SPIRIT MAJOR CLAIMS FUND AS AT 31.12.2008
2008 CONTRIBUTIONS DUE BY 1 NOVEMBER 2008
 (Based on 2006 oil reports)

Member State at the time of the Hebei Spirit incident (07.12.07)	Assessment £	Receipt £	Outstanding £	% Paid
<1> Albania	-	-	-	-
Algeria	26 300.70	26 300.70	0.00	100.00
Angola	60 764.84	0.00	60 764.84	0.00
<1> Antigua and Barbuda	-	-	-	-
Argentina	466 287.08	466 287.08	0.00	100.00
Australia	940 565.78	940 565.78	0.00	100.00
Bahamas	372 257.77	372 257.77	0.00	100.00
<1> Bahrain	-	-	-	-
Barbados	7 948.90	7 948.90	0.00	100.00
Belgium	187 183.64	187 183.64	0.00	100.00
<2> Belize	-	-	-	-
<1> Brunei Darussalam	-	-	-	-
Bulgaria	233 760.00	233 760.00	0.00	100.00
<2> Cambodia	-	-	-	-
Cameroon	55 954.13	0.00	55 954.13	0.00
Canada	2 249 241.47	2 249 241.47	0.00	100.00
<1> Cape Verde	-	-	-	-
China (HKSAR)	212 466.86	212 466.86	0.00	100.00
Colombia	10 794.04	10 794.04	0.00	100.00
<2> Comoros	-	-	-	-
<2> Congo	-	-	-	-
Croatia	83 713.78	83 713.78	0.00	100.00
Cyprus	37 815.01	37 815.01	0.00	100.00
Denmark	185 280.82	179 967.59	5 313.23	97.13
<2> Djibouti	-	-	-	-
<1> Dominica	-	-	-	-
<2> Dominican Republic	-	-	-	-
<1> Estonia	-	-	-	-
<1> Fiji	-	-	-	-
Finland	396 360.70	396 360.70	0.00	100.00
France	3 291 971.01	3 108 338.23	183 632.78	94.42
<1> Gabon	-	-	-	-
<1> Georgia	-	-	-	-
Germany	1 263 608.08	1 253 722.81	9 885.27	99.22
Ghana	56 193.72	468.40	55 725.32	0.83
Greece	718 935.36	718 935.36	0.00	100.00
<2> Grenada	-	-	-	-
<2> Guinea	-	-	-	-
<1> Iceland	-	-	-	-
India	4 105 010.69	2 315 064.78	1 789 945.91	56.40
Ireland	138 028.19	138 028.19	0.00	100.00
Israel	399 458.64	399 458.64	0.00	100.00
Italy	4 516 152.77	4 264 229.48	251 923.29	94.42
Jamaica	97 707.66	85 982.61	11 725.05	88.00
Japan	8 354 620.22	8 354 589.46	30.76	100.00
<2> Kenya	-	-	-	-
<1> Latvia	-	-	-	-
<1> Liberia	-	-	-	-
Lithuania	97 195.88	97 195.88	0.00	100.00
<1> Luxembourg	-	-	-	-
<1> Madagascar	-	-	-	-

Member State at the time of the Hebei Spirit incident (07.12.07)	Assessment £	Receipt £	Outstanding £	% Paid
Malaysia	979 769.75	430 523.69	549 246.06	43.94
<2> Maldives	-	-	-	-
Malta	66 320.10	66 320.10	0.00	100.00
<1> Marshall Islands	-	-	-	-
Mauritius	16 761.79	6 522.48	10 239.31	38.91
Mexico	354 319.66	354 319.66	0.00	100.00
<1> Monaco	-	-	-	-
Morocco	210 177.30	210 177.30	0.00	100.00
<1> Mozambique	-	-	-	-
<1> Namibia	-	-	-	-
Netherlands	3 401 201.09	3 220 707.17	180 493.92	94.69
<2> Netherlands Antilles	-	-	-	-
<2> Netherlands Aruba	-	-	-	-
New Zealand	155 620.94	155 620.94	0.00	100.00
<2> Nigeria	-	-	-	-
Norway	585 658.19	580 830.81	4 827.38	99.18
<2> Oman	-	-	-	-
Panama	115 200.85	69 550.58	45 650.27	60.37
<2> Papua New Guinea	-	-	-	-
Philippines	382 246.91	382 246.91	0.00	100.00
Poland	30 061.78	30 061.78	0.00	100.00
Portugal	502 116.74	488 395.18	13 721.56	97.27
<1> Qatar	-	-	-	-
Republic of Korea	4 056 520.68	4 056 520.68	0.00	100.00
Russian Federation	140 717.62	0.00	140 717.62	0.00
<2> Saint Kitts and Nevis	-	-	-	-
<2> Saint Lucia	-	-	-	-
<1> Saint Vincent and the Grenadines	-	-	-	-
<2> Samoa	-	-	-	-
<1> Seychelles	-	-	-	-
<1> Sierra Leone	-	-	-	-
Singapore	2 570 923.26	2 570 923.26	0.00	100.00
<1> Slovenia	-	-	-	-
<2> South Africa	-	-	-	-
Spain	2 106 722.71	2 106 722.71	0.00	100.00
Sri Lanka	75 994.10	75 994.10	0.00	100.00
Sweden	781 341.47	781 341.47	0.00	100.00
<1> Switzerland	-	-	-	-
<2> Tanzania	-	-	-	-
<1> Tonga	-	-	-	-
Trinidad and Tobago	144 965.16	144 965.16	0.00	100.00
Tunisia	110 217.43	110 217.43	0.00	100.00
Turkey	787 815.91	787 815.91	0.00	100.00
<2> Tuvalu	-	-	-	-
<1> United Arab Emirates	-	-	-	-
United Kingdom	2 359 825.67	2 289 889.53	69 936.14	97.04
Uruguay	60 935.68	60 935.68	0.00	100.00
<1> Vanuatu	-	-	-	-
Venezuela	274 339.59	0.00	274 339.59	0.00
Total	48 835 352.12	45 121 279.69	3 714 072.43	92.39

<1> No liability for contributions to the Hebei Spirit Major Claims Fund.

<2> Reports on contributing oil receipts in 2006 not submitted by 31 December 2008.

**CONTRIBUTIONS OUTSTANDING FOR
PREVIOUS FINANCIAL PERIODS AS AT 31.12.2008**

General Fund and Major Claims Funds

Member State (Total number of contributors)	Fund (Number of contributors in arrears)	Assessment £	Receipt £	Outstanding £	Contribution due date
Nigeria (1)	General Fund 2006 (1)	1 046.80	0.00	1 046.80	01/03/07
Panama (7)	General Fund 2000 (1)	14 133.13	0.00	14 133.13	01/03/04
	General Fund 2001 (1)	9 219.88	0.00	9 219.88	01/03/04
	General Fund 2002 (1)	6 985.45	0.00	6 985.45	01/03/04
	General Fund 2003 (1)	8 721.83	0.00	8 721.83	01/03/04
	General Fund 2004 (2)	11 066.35	9 123.99	1 942.36	01/03/08
	General Fund 2006 (3)	16 926.78	4 932.81	11 993.97	& 01/03/08
	Prestige Major Claims Fund 2003 (1)	166 329.52	0.00	166 329.52	01/03/04
Prestige Major Claims Fund 2004 (1)	73 225.88	0.00	73 225.88	01/03/05	
		306 608.82	14 056.80	292 552.02	
Russian Federation (4)	General Fund 2001 (1)	6 158.35	4 625.95	1 532.40	01/03/02
	General Fund 2002 (1)	7 156.85	5 874.33	1 282.52	01/03/04
	General Fund 2003 (2)	19 747.25	0.00	19 747.25	01/08/08 & 01/03/04
	General Fund 2004 (1)	13 520.40	12 049.91	1 470.49	01/03/05
	General Fund 2006 (2)	6 287.04	0.00	6 287.04	01/08/08
	Prestige Major Claims Fund 2003 (2)	170 410.65	19 921.84	150 488.81	01/08/08 & 01/03/04
	Prestige Major Claims Fund 2004 (2)	75 022.58	0.00	75 022.58	01/08/08 & 01/03/05
		298 303.12	42 472.03	255 831.09	
Venezuela (1)	General Fund 2006 (1)	22 665.72	13 106.50	9 559.22	01/03/08
Total		628 624.46	69 635.33	558 989.13	

CONTRIBUTIONS FOR PREVIOUS YEARS NOT ASSESSED DUE TO NON-SUBMISSION OF REPORTS ON CONTRIBUTING OIL RECEIPTS FOR RELEVANT YEAR AS AT 31 DECEMBER 2008

		<u>Contribution Year</u>	<u>Applicable Oil receipt year</u>
Argentina	General Fund	2006	2005
Belize	General Fund	2006	2005
Cambodia	General Fund	2006	2005
	General Fund	2004	2003
	General Fund	2003	2002
	General Fund	2002	2001
	<i>Prestige Major Claims Fund</i>	2004 & 2003	2001
	Comoros	General Fund	2006
Comoros	General Fund	2004	2003
	General Fund	2003	2002
	General Fund	2002	2001
	General Fund	2001	2000
	<i>Prestige Major Claims Fund</i>	2004 & 2003	2001
	Congo	General Fund	2006
Dominican Republic	General Fund	2006	2005
	General Fund	2004	2003
	General Fund	2003	2002
	General Fund	2002	2001
	General Fund	2001	2000
	General Fund	2000	1999
	<i>Prestige Major Claims Fund</i>	2004 & 2003	2001
Grenada	General Fund	2006	2005
	General Fund	2004	2003
	General Fund	2003	2002
	General Fund	2002	2001
	<i>Prestige Major Claims Fund</i>	2004 & 2003	2001
Guinea	General Fund	2006	2005
	General Fund	2004	2003
	General Fund	2003	2002
Kenya	General Fund	2006	2005
Maldives	General Fund	2006	2005
Oman	General Fund	2006	2005
Papua New Guinea	General Fund	2006	2005
Saint Kitts and Nevis	General Fund	2006	2005
Saint Lucia	General Fund	2006	2005
South Africa	General Fund	2006	2005
Tuvalu	General Fund	2006	2005
United Republic of Tanzania	General Fund	2006	2005
	General Fund	2004	2003
	General Fund	2003	2002

SCHEDULE II
REPORT ON PAYMENT OF CLAIMS FOR THE FINANCIAL
PERIOD 1 JANUARY - 31 DECEMBER 2008

- 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 2008 in respect of various incidents amounted to £10 715 233 and is made up as follows:

	£
General Fund (cf paragraph 3)	7 557 454
<i>Erika</i> Major Claims Fund	958 537
<i>Prestige</i> Major Claims Fund (cf Note 11 to financial statements)	2 059 043
<i>Hebei Spirit</i> Major Claims Fund (cf paragraph 3)	<u>140 199</u>
	<u>10 715 233</u>

- 3 The General Fund covers compensation payments and claims related expenditure up to a maximum amount of the Pounds sterling equivalent of 4 million SDR per incident converted at the rate applicable on the date of the incident. During 2008 payments from the General Fund were made in respect of nine incidents. The major portion of the claims and claims related expenditure from the General Fund related to three incidents, the *Slops* incident (£3 246 965), the *Hebei Spirit* incident (£3 108 139 being the balance payable of the first 4 million SDR (£3 110 128)) and the *Shosei Maru* incident (£807 532).
- 4 The incident in relation to Greek-registered waste oil reception facility *Slops* occurred on 15 June 2000. At its July 2000 session the Executive Committee decided that, in accordance with the interpretation adopted by the 1992 Fund Assembly at its fourth session, held in October 1999, the *Slops* should not be considered a 'ship' for the purpose of the 1992 Civil Liability and Fund Conventions and that therefore these Conventions did not apply to this incident. The claimants involved did not accept that decision and ultimately the Greek Supreme Court held that the *Slops* should be regarded a 'ship' as defined in the 1992 Conventions and referred the case back to the Court of Appeal to examine the merits of the claims. In February 2008 the Court of Appeal rendered its decision confirming the judgement of the Court of First Instance, which had awarded the claimants the claimed amount, ie €2 323 360 plus legal interests and costs. In July 2008 the 1992 Fund paid €4 022 099 (£3.2 million) to the claimants as principal, legal interests and costs in accordance with the judgement by the Court of Appeal.
- 5 In general, the position as at 31 December 2008 can be summarised as follows:

Incident	Year	Compensation £	Fees and related costs £	Other costs £	Total £
<i>Incident in Germany</i>	2008	-	14 072	-	14 072
	2007	961 364	42 734	2 438	1 006 536
	2005	-	22 014	3 220	25 234
	2004	-	26 640	912	27 552
	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		961 364	158 939	8 976

Incident	Year	Compensation £	Fees and related costs £	Other costs £	Total £
3 <i>Erika</i> <i>Recovered – decision of court of appeal</i>	2008	121 120	836 465	952	958 537
	2007	1 389 031	1 066 945	4 345	2 460 321
	2007	(379 287)	-	-	(379 287)
	2006	7 921 605	1 480 682	3 796	9 406 083
	2005	11 718 026	1 785 899	2 504	13 506 429
	2004	7 502 681	2 004 166	4 581	9 511 428
	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		76 995 577	20 879 915	214 216	98 089 708
4 <i>Al Jaziah 1</i> <i>(Joint incident - 50% 1971 Fund)</i>	2008	-	6 077	22	6 099
	2007	-	12 797	13	12 810
	2006	-	9 199	17	9 216
	2005	-	10 785	1 871	12 656
	2004	-	9 142	1 507	10 649
	2003	335 878	14 754	75	350 707
	2002	25 532	7 949	3 833	37 314
	2001	204 756	16 142	47	220 945
	2000	-	23 218	361	23 579
Total to date		566 166	110 063	7 746	683 975
5 <i>Slops</i>	2008	3 217 421	29 522	22	3 246 965
	2007	-	49 050	107	49 157
	2006	-	39 995	13	40 008
	2005	-	96 333	-	96 333
	2004	-	22 536	-	22 536
	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		3 217 421	359 226	218	3 576 865
6 <i>Prestige</i> <i>Reimbursement from P&I Club</i> <i>Reimbursement from P&I Club</i> <i>Reimbursement from P&I Club</i>	2008	251 641	1 975 340	3 731	2 230 712
	2008	-	(171 669)	-	(171 669)
	2007	1 109 424	1 934 927	8 488	3 052 839
	2007	-	(20 153)	-	(20 153)
	2006	40 537 569	2 463 784	23 225	43 024 578
	2006	-	(1 000 000)	-	(1 000 000)
	2005	621 316	2 617 861	31 557	3 270 734
	2004	123 033	2 325 594	288 810	2 737 437
	2003	39 915 420	3 293 373	120 473	43 329 266
	2002	-	35 969	10 626	46 595
	Total to date		82 558 403	13 455 026	486 910

Incident	Year	Compensation £	Fees and related costs £	Other costs £	Total £
7 <i>N°7 Kwang Min</i>	2008	-	10 607	11	10 618
	2007	-	25 899	55	25 954
	2006	1 164 982	177 986	22	1 342 990
	Total to date	1 164 982	214 492	88	1 379 562
8 <i>Solar I</i> <i>Reimbursement</i> <i>from P&I Club</i> <i>(Under STOPIA</i> <i>2006 Agreement)</i>	2008	281 908	-	10 990	292 898
	2008	-	(120 931)	(10 925)	(131 856)
	2007	3 835 532	127 335	67 167	4 030 034
	2006	1 965 877	248	39 069	2 005 194
	Total to date	6 083 317	6 652	106 301	6 196 270
9 <i>Shosei Maru</i>	2008	754 823	52 254	455	807 532
	2007	-	-	11 941	11 941
	Total to date	754 823	52 254	12 396	819 473
10 <i>Hebei Spirit</i>	2008	-	3 151 656	96 682	3 248 338
	2007	-	-	1 989	1 989
	Total to date	-	3 151 656	98 671	3 250 327
11 <i>Volgoneft 139</i>	2008	-	187 570	14 991	202 561
	Total to date	-	187 570	14 991	202 561
12 <i>Incident in</i> <i>Argentina</i>	2008	-	300	126	426
	Total to date	-	300	126	426

SCHEDULE III

DETAILS OF CONTINGENT LIABILITIES OF THE 1992 FUND AS AT 31 DECEMBER 2008

- 1 Contingent liabilities represent all known or likely claims against the 1992 Fund as at 31 December 2008 as well as an estimate of fees and other costs for 2009 (Note 1(f) to the financial statements). The figures are based on information available up to 30 April 2009.
- 2 There are contingent liabilities of the 1992 Fund estimated at £410 448 400 in respect of nine incidents as at 31 December 2008.
- 3 Details of the contingent liabilities, given in rounded figures, are set out below:

Incident		Date	Contingent liabilities at 31.12.08		
			Compensation £	Other costs £	Total £
1	<i>Erika</i>	12.12.99	53 200 000	1 000 000	54 200 000
2	<i>Al Jaziah I</i>	24.01.00	-	25 000	25 000
3	<i>Prestige</i>	13.11.02	27 800 000	2 000 000	29 800 000
4	<i>N°7 Kwang Min</i>	24.11.05	78 400	20 000	98 400
5	<i>Solar I</i>	11.08.06	-	25 000	25 000
6	<i>Shosei Maru</i>	28.11.06	-	50 000	50 000
7	<i>Volgoneft 139</i>	11.11.07	216 700 000	500 000	217 200 000
8	<i>Hebei Spirit</i>	07.12.07	99 000 000	10 000 000	109 000 000
9	Incident in Argentina	26.12.07	-	50 000	50 000
TOTAL			396 778 400	13 670 000	410 448 400

- 4 Of these contingent liabilities, some £2.4 million had been liquidated as at 30 April 2009, mainly in respect of the *Hebei Spirit* (£1 375 000), *Prestige* (£672 000) and *Erika* (£230 000) incidents.
- 5 The estimated expenditure under the item 'Other costs' relates to legal and technical costs for the next financial year, ie for 2009. High amounts of lawyers' and surveyors' fees have been included in the contingent liabilities in respect of the *Erika*, *Prestige* and *Hebei Spirit* incidents. The amounts have been assessed on the basis of the likely volume of work to be carried out in 2009.
- 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 IOPC Funds' Annual Report 2008.

Erika

- 7 The total amount of the established claims in respect of the *Erika* incident will exceed the maximum amount available for compensation under the 1992 Conventions (135 million SDR, corresponding to FFfr1 211 966 811 or €184 763 149). The limitation amount applicable to the *Erika* under the 1992 Civil Liability Convention is FFfr84 247 733 or €12 843 484. The 1992 Fund's liability would therefore be FFfr1 127 719 148 (€171 919 676). The 1992 Fund had as at 31 December 2008 paid €116.8 million in compensation. The balance payable by the 1992 Fund in compensation is €55.1 million (£53.2 million). Fees and other costs are estimated at £1 million for 2009.



Al Jaziah 1

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 decided that the liabilities arising out of this incident should be distributed between the two Funds on a 50:50 basis. All claims have been settled and paid.

The 1971 Fund took recourse action against the owner of the *Al Jaziah 1*. In a judgement rendered in March 2008 the Court ordered the shipowner to pay the Funds an amount of Dhs 6 402 282.00 (£1.2 million). According to the investigation carried out by the Funds' lawyers the shipowner was in serious financial difficulties and had no financial resources to pay the judgement. Therefore it appears that it would be very difficult to execute the judgement against the shipowner. At their October 2008 sessions, the governing bodies of the 1971 and 1992 Funds instructed the Director to approach the shipowner to discuss a settlement, taking into account his financial situation.

The Fund will incur legal costs in 2009 estimated at £25 000.

Prestige

- 9 The total amount of the established claims will exceed the maximum amount available for compensation under the 1992 Conventions, 135 million SDR, corresponding to €171 520 703 (€22.8 million under the 1992 Civil Liability Convention and €148.7 million under the 1992 Fund Convention). By the end of 2008 the 1992 Fund had paid a total of €119.9 million, including €57 555 000 (£39.9 million) and €56 365 000 (£38.5 million) paid to the Spanish State in 2003 and 2006 respectively. By the end of 2008 the 1992 Fund had paid €5.1 million (£3.3) in France and €328 488 (£222 000) in Portugal. The balance payable by the 1992 Fund in compensation therefore is some €28.8 million (£27.8 million). Fees and other costs are estimated at £2 million for 2009.

N°7 Kwang Min

- 10 In December 2005, the 1992 Fund was informed by the Korean Ministry of Maritime Affairs and Fisheries that the *N°7 Kwang Min* was not insured for pollution liabilities and that the shipowner had very few assets. The Executive Committee decided at its February 2006 session that the 1992 Fund was liable to settle all claims arising from the incident in view of the shipowner not being able to meet his obligations under the 1992 Civil Liability Convention (1992 CLC). Most claims have been settled and paid for KRW 2 032 million (£1.1 million). Two claimants did not agree with the settlement of their claims and took legal action.

In August 2008, the Court ordered the owners of the two vessels to pay the losses of the two seaweed culturists as assessed by the Limitation Court plus interest. If the owner of the *N°7 Kwang Min* were unable to pay the losses of the two claimants, the Fund would still be liable to pay compensation in the amount decided by the court. The two seaweed cultivators have appealed against the judgement.

For the purpose of the contingent liabilities compensation payable is estimated at KRW 142 million (£78 400). Fees and other costs are estimated at £20 000 for 2009.

Solar 1

- 11 In August 2006 the *Solar 1* capsized and sank in the Philippines. The limitation amount applicable to the *Solar 1* in accordance with the 1992 Civil Liability Convention is 4.51 million SDR (£4.8 million). However, the owner of the *Solar 1* was a party to the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) 2006 whereby the limitation amount applicable to the tanker under the Civil Liability Convention was increased, on a voluntary basis, to 20 million SDR (£21.3 million). This is the first incident where STOPIA 2006 has applied and the 1992 Fund is receiving regular reimbursements from the Shipowner's Club. By December 2008 a substantial number of claims had been submitted from the fisheries, mariculture and tourism sectors, they are however expected to fall within the limitation amount applicable under STOPIA 2006. For the

Hebei Spirit

14

On 7 December 2007 the Hong Kong flag tanker the *Hebei Spirit* (146 848 GT) was struck by the barge *Samsung N°1* while at anchor about five miles off Taean on the west coast of the Republic of Korea. The accident resulted in about 10 500 tonnes of crude oil escaping into the sea from the *Hebei Spirit* and polluting some 375 kilometres of the western coast of the Republic of Korea. The maximum amount of compensation payable in respect of the *Hebei Spirit* incident under the 1992 Fund Convention is 203 million SDR (£178 million). The estimated losses arising out of this incident are expected to exceed the limitation amount applicable to the *Hebei Spirit* under the 1992 Fund CLC ie 89.77 million SDR (£84 million). In June 2008, the Executive Committee, in view of the uncertainty as to the total amount of the admissible claims, decided to limit the level of payments to 35% of the established claims. In October 2008, the Executive Committee decided to maintain this level of payments at 35%.

The 1992 Fund would be expected to pay compensation once the 1992 CLC limit has been reached. All joint cost expenditure is presently being made by the shipowner's insurer, but the 1992 Fund reimburses them its proportion of the joint costs.

For the purpose of the contingent liabilities compensation payable is estimated at 113 230 000 SDR or KRW 179 393 685 900 (£99 million) plus costs payable by the 1992 Fund including legal costs is estimated at £10 000 000 for 2009.

The Executive Committee at its March 2009 session endorsed the decision taken by the Director in January 2009 to commence recourse action against Samsung C&T Corporation and Samsung Heavy Industries (SHI) in the Ningbo Maritime Court in China at the same time as the owner and the insurer of the *Hebei Spirit*. The Committee also decided that the 1992 Fund should continue this recourse action.

Incident in Argentina

15

A significant quantity of oil impacted the shoreline in Caleta Córdova, Chubut Province, Argentina, on 26 December 2007. Clean-up operations on the shoreline were undertaken by local contractors under the supervision of the provincial government. Claims are expected for clean-up costs, losses in the fisheries and tourism sectors and for environmental damage. An investigation into the cause of the incident was commenced by the Criminal Court of Comodoro Rivadavia (Argentina). The *Presidente Arturo Umberto Illia (Presidente Illia)*, that had been loading oil at a loading buoy off Caleta Córdova, was detained and an inspection of the ship by the maritime authorities (Prefectura Naval) revealed a fault in its ballast system. The *Presidente Illia* is insured with the West of England Ship Owners Mutual Insurance Association (Luxemburg) (West of England Club). The Criminal Court in Comodoro Rivadavia has reached a preliminary decision that the spill originated from the *Presidente Illia*. The shipowner has appealed against this decision. The limit of liability of the owner of the *Presidente Illia* under the 1992 CLC is estimated to be 24 067 845 SDR (£25.7 million) and it seems likely that the total admissible damage caused by the spill will be within the shipowner's limit. The shipowner and the West of England Club maintain that the *Presidente Illia* did not cause the spill that impacted the coast. If they were successful in their appeal against the Court's decision, but it is established nevertheless that the spill came from a 'ship' as defined in the 1992 Civil Liability and Fund Conventions, the 1992 Fund would have to pay compensation from the outset.

For the purpose of the contingent liabilities fees and other costs for 2009 have been estimated at £50 000.