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OIL POLLUTION
COMPENSATION
FUND 1971

ASSEMBLY
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**FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT AND OPINION**

Note by the Director

Summary:	The financial statements and the Auditor's report and opinion are set out.
Action to be taken:	Approval of accounts.

1 In accordance with Article 29.2(f) of the 1971 Fund Convention, the Director has prepared the financial statements of the 1971 Fund for the financial year 1997. Pursuant to Financial Regulation 13.9, the External Auditor has submitted to the Assembly, through its Chairman, his Report on the audit of the financial statements of the 1971 Fund for the financial period ended 31 December 1997. The Director has prepared comments on the financial statements. These comments and the Auditor's Report are at Annexes I and II, respectively.

2 Under Financial Regulation 13.15 the External Auditor shall express an opinion on the financial statements on which he is reporting. This Opinion is at Annex III.

3 The certified financial statements for the financial period 1 January to 31 December 1997 are at Annex IV.

4 With the expansion of the 1971 Fund's activities over the years the financial statements of the Organisation have become lengthier and more complex, and the Director's comments on these statements have also grown. After consultation with the External Auditor, certain amendments have been made to the financial statements for 1997 in order to make them clearer and to facilitate the reader's understanding. The major changes compared to the 1996 accounts are as follows. In the 1997 financial statements the twelve Major Claims Funds are presented in tabular forms in groups, thereby reducing the number of statements from twelve to four. The schedules containing reports on payments of claims and details of contingency liabilities (Schedules II and III) are presented in

tabular form. The Director's comments on the financial statements have been shortened considerably by deleting those parts which are mainly a duplicate of the notes to the financial statements or contain unnecessary details.

Action to be taken by the Assembly

5 The Assembly is invited to consider the External Auditor's Report and Opinion and to approve the accounts.

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ANNEX I

**DIRECTOR'S COMMENTS ON THE
FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
1 JANUARY TO 31 DECEMBER 1997**

1 INTRODUCTION

1.1 Financial Regulation 12.3 provides that the financial statements to be prepared and submitted to the Assembly by the Director in accordance with Article 29.2(f) of the 1971 Fund Convention, and on which the External Auditor will report in accordance with Regulation 13.15 of the Financial Regulations, shall comprise:

- (a)
 - (i) a Statement of Appropriations and Obligations Incurred;
 - (ii) Income and Expenditure Accounts for all funds;
 - (iii) a Balance Sheet;
 - (iv) a Cash Flow Statement;
- (b) such notes as may be necessary for a better understanding of the financial statements, including a statement of the significant accounting policies and details of contingent liabilities.

1.2 Staff Regulation 23(b) provides that the Director shall establish and operate a Provident Fund to which both the 1971 Fund and staff members shall contribute on such terms and conditions as may be approved by the Assembly. Under Staff Rule VIII.5(g), the auditing of the Provident Fund shall be carried out in conjunction with the annual auditing of the accounts of the 1971 Fund.

1.3 The following financial statements for the period 1997 are submitted herewith:

Statement I	Statement of Budget Appropriations and Obligations Incurred in respect of the General Fund for the Financial Period 1 January - 31 December 1997
Statement II	Income and Expenditure Account in respect of the General Fund for the Financial Period 1 January - 31 December 1997
Statement III	Income and Expenditure Account in respect of the <i>Taiko Maru</i> and <i>Toyotaka Maru</i> Major Claims Funds for the Financial Period 1 January - 31 December 1997
Statement IV	Income and Expenditure Account in respect of the <i>Haven</i> , <i>Aegean Sea</i> , <i>Braer</i> and <i>Keumdong N° 5</i> Major Claims Funds for the Financial Period 1 January - 31 December 1997
Statement V	Income and Expenditure Account in respect of the <i>Sea Prince</i> , <i>Yeo Myung</i> , <i>Yuil N° 1</i> and <i>Senyo Maru</i> Major Claims Funds for the Financial Period 1 January - 31 December 1997
Statement VI	Income and Expenditure Account in respect of the <i>Sea Empress</i> and <i>Nakhodka</i> Major Claims Funds for the Financial Period 1 January - 31 December 1997
Statement VII	Provident Fund Account for the Financial Period 1 January - 31 December 1997

Statement VIII	Balance Sheet of the 1971 Fund as at 31 December 1997
Statement IX	Cash Flow Statement for the Financial Period 1 January - 31 December 1997.

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

Schedule I	Report on Contributions during the Financial Period 1 January - 31 December 1997 and on Contributions Outstanding for Previous Financial Periods
Schedule II	Report on Payment of Claims for the Financial Period 1 January - 31 December 1997
Schedule III	Details of Contingent Liabilities as at 31 December 1997.

2 COMMENTS ON THE RESPECTIVE FINANCIAL STATEMENTS

2.1 Statement of Budget Appropriations and Obligations incurred in respect of the General Fund for the Financial Period 1 January - 31 December 1997 (Statement I)

The 1971 Fund Assembly and the 1992 Fund Assembly, at their 19th session and 1st extraordinary session, respectively, decided that the cost of running the joint Secretariat should, for the period 1 January to 31 December 1997, be distributed with 70% to be paid by the 1971 Fund and 30% by the 1992 Fund (document 71FUND/A.19/30, paragraph 23.1 and document 92FUND/A/ES.1/22, paragraph 16.1). Exceptions from this distribution are set out in note 8 to the financial statements. The figures in the extreme right hand column show how the obligations incurred have been split between the 1971 Fund and the 1992 Fund.

For a better understanding of the Statement, however, the Director's comments will follow the order of the appropriations of the 1971 Fund Budget 1997, without addressing how the joint costs were shared between the 1971 Fund and the 1992 Fund.

The total obligations incurred in respect of both Organisations amount to £1,547,390 as compared with the appropriation of £1,821,720. The savings amount accordingly to £274,330.

Transfers were made between appropriations within chapters of the budget, in accordance with Financial Regulation 6.3.

Expenses for running the Secretariat were made under the following heads.

1 Personnel

The total expenditure on personnel was £945,695 as compared with the appropriation of £1,069,690, resulting in a saving of £123,995. The saving was made out of various appropriations as follows: £31,219 from Salaries, £24,702 from Separation and recruitment, £64,827 from Staff benefits and allowances and £3,247 from Home Leave.

The saving was due mainly to a professional post at level P3/P4 established by the Assembly at its 19th session not being filled and a General Service position filled only on a part-time basis.

II General services

The total expenditure on General Services was £304,000 as compared with the appropriation of £342,080, resulting in a saving of £38,080.

The invoice for the 1971 Fund's rent and other charges relating to office accommodation in 1997 was presented by IMO within the relevant financial period.

The appropriation of £38,000 for Office machines was exceeded by £5,422, mainly due to the upgrading of computer hardware. The excess was met by a transfer from savings in the appropriation for Printing and publication within the same chapter.

III Meetings

The total expenditure on Meetings was £43,893 as compared with the appropriation of £115,000, resulting in a saving of £71,107. The saving was due mainly to fewer meetings being held in 1997 than envisaged. Only one Intersessional Working Group session was held, whereas the budget had included appropriations for two such sessions, and the 1971 Fund Executive Committee held one extra session less than included in the budget appropriations. The costs related to the printing of documents were also lower than anticipated.

IV Conferences and travel

(a) Conferences and seminars

The Secretariat participated in various conferences and seminars during 1997. As in previous years, the expenses of participating in conferences and seminars were, in some cases, greatly reduced, since the organisers reimbursed either air fares or hotel accommodation. In some cases missions were combined with conferences and seminars, and vice versa.

The appropriation of £20,000 for Conferences was exceeded by £9,022. The excess was met by a transfer from the saving in the appropriation for Mission within the same chapter.

(b) Mission

The Director and other officers went on mission to 12 States.

V Miscellaneous expenditure

The total expenditure under this head was £222,714, as compared with the appropriation of £194,950. The excess of £27,764 was due to part of the cost of the review of the working methods of the Secretariat undertaken by external consultants being met in 1997.

The excess was met by a transfer of £27,764 from Chapter VI (Unforeseen expenditure). At its 20th session the Assembly was informed of the Director's intention to pay for the cost of this review from the appropriation in Chapter V for consultants' fees (item (c)) and/or from Chapter VI (Unforeseen expenditure) (document 71FUND/A.20/30, paragraph 13.9).

VI Unforeseen expenditure

There was no direct expenditure under this Chapter in 1997. As referred to above, the excess under Chapter V was met by the transfer from the budget appropriation under Chapter VI.

2.2 Income and Expenditure Account in respect of the General Fund for the Financial Period 1 January - 31 December 1997 (Statement II)

I Income

(a) Contributions

At its 19th session the Assembly decided to reduce the 1971 Fund's working capital from £15 million to £10 million (document 71FUND/A.19/30, paragraph 25.5). As a result, an amount of £5 million was to be refunded to contributors. The amount actually refunded during the financial period was £4,971,115. Further credit notes will be issued as outstanding oil reports are submitted or following the adjustment of certain oil reports by Member States.

The amounts of £70,136 and £412,253 represent initial contributions receivable and the adjustment to prior years' assessments of contributions, respectively (see Note 3 to the Financial Statements).

Details of contributions receivable as at 31 December 1997 are given in Schedule I.

(b) Miscellaneous

The major part of the income under this head consisted of interest earned on the investment of the 1971 Fund's assets. The investment income exceeded the 1997 budget estimate of £770,000 by £384,983, owing to a much higher average balance on the General Fund and higher interest rates than foreseen.

II Expenditure

The total expenditure was £2,375,957 representing Secretariat expenditure of £1,067,942 in respect of the 1971 Fund, compensation payments of £70,528 and claims related expenses (fees, travel and miscellaneous) of £1,237,487.

III Excess of income over expenditure

After allowing for an exchange loss of £405,164 (see Note 9 to the Financial Statements), there was a net deficit of £5,823,083 for the financial period ended 31 December 1997.

2.3 Income and Expenditure Account in respect of Major Claims Funds for the Financial Period 1 January - 31 December 1997 (Statement III - Statement VI)

There were thirteen Major Claims Funds in 1997, including the *Vistabella* Major Claims Fund, for which no levy has been made. Details of income and expenditure are given in Statements III-VI for the other twelve Major Claims Funds.

I Income

Surplus on *Taiko Maru* and *Toyotaka Maru* Major Claims Funds (Statement III)

At its 19th session, the Assembly took note of the fact that all claims and expenses arising out of the *Taiko Maru* and *Toyotaka Maru* incidents had been paid. The Assembly decided, pursuant to Financial Regulation 4.4, that £3,500,000 and £4,700,000 should be reimbursed to the contributors to each of these Major Claims Funds, respectively, on the date of the payment of the deferred levy, if and to the extent such a levy was later made in 1997, and that the respective balances on these Major Claims Funds should be transferred to the General Fund (document 71FUND/A.19/30, paragraph 25.9).

A deferred levy was made in 1997. On 1 September 1997 reimbursements of £3,486,688 and £ 4,677,414 were made to contributors of the respective Major Claims Fund, and the balances of £112,567 and £104,237 were transferred to the General Fund.

Haven, Aegean Sea, Braer and Keumdong N°5 Major Claims Funds (Statement IV)

At its 19th session, the Assembly decided not to make any levy in the form of 1996 annual contributions to the *Haven, Aegean Sea and Braer* Major Claims Funds. The Director was authorised to make a deferred levy of £5 million for the *Keumdong N°5* Major Claims Funds, but the authorisation was not used (document 71FUND/A.19/30, paragraph 25.6, 25.11 and 25.12).

Sea Prince, Yeo Myung, Yuil N°1 and Senyo Maru Major Claims Funds (Statement V)

The Assembly decided at its 19th session that the maximum levy of 1996 contributions to the *Sea Prince, Yeo Myung* and *Yuil N° 1* Major Claims Funds was £30 million, £5 million and £15 million, respectively (document 71FUND/A.19/30, paragraph 25.6). Within the authority given to him by the Assembly, the Director levied contributions of £12 million, £1 million and £11 million, respectively. Invoices issued actually totalled £11,564,222, £963,986 and £10,599,517, respectively, as a result of the oil quantities reported after the levy per tonne had been calculated being lower than anticipated. Further invoices will be issued as outstanding oil reports are submitted or following the adjustment of certain oil reports by Member States. No further levy was made in the form of 1996 annual contributions to the *Senyo Maru* Major Claims Fund.

Sea Empress and Nakhodka Major Claims Funds (Statement VI)

At its 19th session and 3rd extraordinary session, the Assembly decided to levy 1996 annual contributions of £30 million to the *Sea Empress* Major Claims Fund (document 71FUND/A.19/30, paragraph 25.6) and of £15 million to the *Nakhodka* Major Claims Fund (document 71FUND/A/ES.3/7, paragraph 4.17), of which £29,804,533 and £14,717,793 were invoiced, respectively. As a result of the oil quantities reported after the levy per tonne had been calculated being lower than anticipated, the invoiced amount, particularly in the case of the *Nakhodka* Major Claims Fund, was lower than the decided levies. Further invoices will be issued as outstanding oil reports are submitted or following the adjustment of certain oil reports by Member States.

Major Claims Funds - Other income

Contributions levied on the basis of reports on contributing oil reports in previous years and after clarification of oil receipts totalled £1,330,058 for the *Haven, Aegean Sea, Braer, Keumdong N°5, Sea Prince, Yeo Myung, Yuil N°1* and *Senyo Maru* Major Claims Funds. Individual amounts for each of the Major Claims Fund are set out in the respective statements. A breakdown by State is given in Note 3 to the Financial Statements.

Interest on investments amounted to £7,048,479 for the Major Claims Funds excluding the *Nakhodka* Major Claims Fund. Individual amounts are given in the respective statements and in Note 7 to the Financial Statements.

Interest on overdue contributions amounts to £171,207. A breakdown by Major Claims Fund is given in the respective statements.

II Major Claims Funds - Expenditure

A total of £33,329,456 was paid in compensation from six Major Claims Funds, consisting of the *Nakhodka* (£22,583,161), *Sea Empress* (£6,045,226), *Sea Prince* (£4,315,189), *Yeo Myung* (£317,850), *Yuil N°1* (£41,846) and *Senyo Maru* (£26,184) Major Claims Funds.

Fees and related costs amount to £4,139,982. The main part of such costs was incurred in respect of the *Nakhodka* (£1,576,558), *Sea Empress* (£970,902), *Haven* (£526,885), *Aegean Sea* (£300,462), *Braer* (£253,392) and *Sea Prince* (£242,830) Major Claims Funds.

2.4 Provident Fund Account for the Financial Period 1 January - 31 December 1997 (Statement VII)

I During the financial period 1997 the total contributions to the Provident Fund, in accordance with Staff Regulation 23(b) and Staff Rule VIII.5, amounted to £167,198 of which £55,733 was the participants' share. Interest earned on the total Provident Fund was £73,599.

II After the withdrawal of £293,909 on separation by three staff members and a loan under the housing loan scheme, there remained a balance of £905,366 on the accounts of staff members as at 31 December 1997.

2.5 Balance Sheet as at 31 December 1997 (Statement VIII)

I Cash at bank and in hand

The figure of £139,738,751 is made up of the following balances:

	£
General Fund	10,994,856
Staff Provident Fund	905,366
Contributors' Account	135,917
<i>Haven</i> Major Claims Fund	29,105,992
<i>Aegean Sea</i> Major Claims Fund	27,977,758
<i>Braer</i> Major Claims Fund	6,321,671
<i>Keumdong N°5</i> Major Claims Fund	7,187,640
<i>Sea Prince</i> Major Claims Fund	17,778,764
<i>Yeo Myung</i> Major Claims Fund	2,805,608
<i>Yuil N°1</i> Major Claims Fund	10,827,229
<i>Senyo Maru</i> Major Claims Fund	2,963,019
<i>Sea Empress</i> Major Claims Fund	<u>22,734,931</u>
	<u>139,738,751</u>

As for the distribution of the aggregate balance between various financial institutions reference is made to Note 13 to the Financial Statements.

II Contributions outstanding

The amount of £2,610,543 represents the outstanding balances of contributions levied from 1989 to 1996 plus initial contributions, as summarised in Schedule I. This amount includes contributions due by two contributors in liquidation (see Note 14 to the Financial Statements).

III Due from the 1992 Fund

The figure of £355,320 represents a payment due to the 1971 Fund which is part of the 1992 Fund's share of the administrative expenses for 1997 of £479,448. The 1992 Fund will reimburse the 1971 Fund in 1998.

IV Due from Major Claims Fund *Vistabella*

The figure of £386,056 represents a total loan of £318,142 taken by the *Vistabella* Major Claims Fund from the General Fund for the period 1994-1997, pending the receipt of contributions in respect of this Major Claims Fund, plus interest of £47,455 for 1994-1996 and £20,459 for 1997.

This amount will be reimbursed to the General Fund from the *Vistabella* Major Claims Fund when contributions to that Major Claims Fund are received.

In the context of a consolidated Balance Sheet, the amount of £386,056, which represents a balance due from the *Vistabella* Major Claims Fund account to the General Fund account, is treated as an asset of the General Fund account rather than as a deduction from the accumulated surplus on the General Fund account.

V Due from *Nakhodka* Major Claims Fund to *Aegean Sea* Major Claims Fund

The figure of £9,595,341 represents a total loan in 1997 to the *Nakhodka* Major Claims Fund from the *Aegean Sea* Major Claims Fund pending the receipt of contributions in respect of the *Nakhodka* Major Claims Fund, plus interest of £158,724. This amount will be reimbursed to the *Aegean Sea* Major Claims Fund from the *Nakhodka* Major Claims Fund on receipt of contributions on 1 February 1998.

In the context of a consolidated Balance Sheet, the amount of £9,595,341, which represents the balance due from the *Nakhodka* Major Claims Fund account to the *Aegean Sea* Major Claims Fund, is treated as an asset rather than as a deduction from the accumulated surplus on the *Aegean Sea* Major Claims Fund account.

VI Tax recoverable

The amount of £41,607 represents VAT for the fourth quarter of 1997 and Insurance Premium Tax to be refunded by the United Kingdom Government.

VII Miscellaneous receivable

The amount of £14,259, as itemised in Note 16 to the Financial Statements, will be duly reimbursed.

VIII Interest on overdue contributions

The amount of £26,898 represents interest outstanding on only that portion of the overdue annual contributions paid by 31 December 1997 (cf Note 1 to the Financial Statements, Significant Accounting Policies, item (f)).

IX Due to Staff Provident Fund

The amount of £905,366 is the balance on the Staff Provident Fund Account after the addition of interest earned and the withdrawal of funds on staff separation and under the housing loan scheme.

X Accounts payable

The amount of £31,213 was paid in early 1998.

XI Unliquidated obligations

The amount of £143,222 represents 1996 and 1997 expenditure outstanding at 31 December 1997 (cf Note 1 to the Financial Statements, Significant Accounting Policies, item (e)).

XII Prepaid contributions

The amount of £245,053 represents 1997 annual contributions which were received in 1997 (ie before the due date of 1 February 1998).

XIII Contributors' Account

There is an amount of £135,917 due to contributors who have elected to leave with the 1971 Fund amounts relating to reimbursements or overpayments. This amount will be set off against future annual contributions.

XIV Due to Major Claims Funds

The balances due to the Major Claims Funds are summarised below:

	£
<i>Haven</i>	29,305,321
<i>Aegean Sea</i>	37,735,195
<i>Braer</i>	6,361,028
<i>Keumdong N°5</i>	7,206,202
<i>Sea Prince</i>	18,058,023
<i>Yeo Myung</i>	2,837,067
<i>Yuil N°1</i>	11,061,954
<i>Senyo Maru</i>	2,977,695
<i>Sea Empress</i>	23,502,285

XV General Fund Balance

The figure of £12,263,234 represents the excess of Income over Expenditure in respect of the General Fund over the years.

**2.6 Cash Flow Statement for the Financial Period 1 January - 31 December 1997
(Statement IX)****I Operating activities**

During the period ended 31 December 1997 a total amount of £65,461,536 was generated in cash and a total amount of £49,682,267 expended in the operation of the 1971 Fund. This resulted in a net cash figure of £15,779,269.

The net current liabilities decreased by £130,618 during 1997 as follows:

	£	£
Accounts payable in 1997 for the 1996 period	31,987	
Contributions received in 1996 for the 1997 period	<u>374,897</u>	
Net current liabilities as at 1 January 1997		406,884
Accounts payable in 1998 for the 1997 period	31,213	
Contributions received in 1997 for the 1998 period	<u>245,053</u>	
Net current liabilities as at 31 December 1997		<u>(276,266)</u>
Decrease in net current liabilities in 1997		<u>130,618</u>

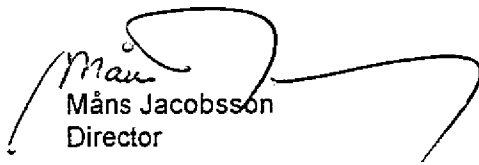
After decreasing the net cash figure of £15,779,269 by the figure of £130,618 relating to the decrease in net current liabilities, there was a net cash inflow of £15,648,651 from the 1971 Fund's operating activities.

II Returns on investments

There was a net cash inflow of £8,296,133 generated from interest received on the 1971 Fund's portfolio of investments (see note 7 to the Financial Statements). There was a return of £19,072 on the investment of the amount held in Contributors' Account which is included under interest on investments.

III Cash Balance

During the year there was a net cash inflow of £23,944,784 from various transactions. This was added to the balance of £115,793,967 brought forward from the 1996 financial period, resulting in a cash balance of £139,738,751 as at 31 December 1997.



Måns Jacobsson
Director

ANNEX II

**REPORT OF THE EXTERNAL AUDITOR ON THE
FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL
POLLUTION COMPENSATION FUND 1971
FOR THE FINANCIAL PERIOD 1 JANUARY TO
31 DECEMBER 1997**

PART ONE – INTRODUCTION

Scope of the Audit

1. I have audited the financial statements of the International Oil Pollution Compensation Fund 1971 ("the 1971 Fund") for the nineteenth financial period ended 31 December 1997. My examination was carried out with due regard to the provisions of the 1971 Fund Convention and to the Financial Regulations.

Audit Objective

2. The main objective of the audit was to enable me to form an opinion as to whether the income and expenditure recorded against both the General and Major Claims Funds in 1997 had been received and incurred for the purposes approved by the 1971 Fund Assembly; whether income and expenditure were properly classified and recorded in accordance with the 1971 Fund's Financial Regulations; and whether the financial statements presented fairly the financial position as at 31 December 1997.

Auditing Standards

3. My audit was carried out in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. These standards require me to plan and carry out the audit so as to obtain reasonable assurance that the 1971 Fund's financial statements are free of material misstatement. The 1971 Fund's Secretariat were responsible for preparing these financial statements, and I am responsible for expressing an opinion on them, based on evidence gathered in my audit.

Audit Approach

4. My examination was based on a test audit, in which all areas of the financial statements were subject to direct substantive testing of the transactions and balances recorded. Finally an examination was carried out to ensure that the financial statements accurately reflected the 1971 Fund's accounting records and were fairly presented.

5. My audit examination included a general review and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. These audit procedures are designed primarily for the purpose of forming an opinion on the 1971 Fund's financial statements. Consequently, my work did not involve a detailed review of all aspects of the 1971 Fund's budgetary and financial information systems, and the results should not be regarded as a comprehensive statement on them.

6. In addition to my audit of the 1971 Fund's accounts and financial transactions, and as approved by the 1971 Fund Assembly in April 1998 (71 FUND/A/ES.4/16), I have carried out an enhanced ("value for money") audit of the payment of claims and related expenditure.

7. My observations on those matters arising from the audit which I consider should be brought to the attention of the Assembly are set out in part two of this report.

Overall Results

8. Notwithstanding the observations in this report, my examination revealed no weaknesses or errors which I considered material to the accuracy, completeness and validity of the financial statements as a whole. Subject to continuing uncertainty surrounding the outcome of the court action in the Haven incident (paragraphs 48 to 55), I confirm that, in my opinion, the financial statements present fairly the financial position as at 31 December 1997.

PART TWO – AUDIT FINDINGS

Claims and Related Expenditure

Introduction

9. As part of my 1997 audit, I undertook an enhanced examination of the payment of claims and related expenditure. The objective of this examination was to test whether the Fund's claims handling procedures ensured that claims are treated equally and in accordance with the Fund's Regulations and established procedures, and that claims and related expenditure are incurred in a cost effective manner, taking into account the Fund's objectives of paying compensation.

Background

10. Total claims and claims related payments in 1997 amounted to £38,974,425. Of this, £25,164,098 (64 per cent) was paid in respect of the Nakhodka incident and £7,016,128 (18 per cent) was paid in

respect of the Sea Empress incident. An analysis of 1997 claims and claims related payments is shown in Table 1 below:

Table 1 – Claims and Claims Related Payments (1 January to 31 December 1997)

	Claims	Claims related	Total	Percentage (of total)
	£	£	£	
Nakhodka (2/1/97)	22,583,161	2,580,937	25,164,098	64
Sea Empress (15/2/96)	6,045,226	970,902	7,016,128	18
Sea Prince (23/7/95)	4,315,189	242,830	4,558,019	12
Other incidents	456,408	1,779,772	2,236,180	6
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	33,399,984	5,574,441	38,974,425	100
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Audit Approach

11. My staff selected and examined a sample of claims and claims related payments made in 1997 (covering all incidents for which payments had been made in the year). My staff reviewed the associated files and related documents held at the Fund's headquarters in London. In addition, they visited the Sea Empress local claims office in Milford Haven in August 1997. The purpose of this visit was to gain an insight into how a local claims office operates and the nature and extent of the 1971 Fund's internal controls at this level. They also visited the Nakhodka local claims office in Kobe in August 1998 where they examined the files and supporting documents relating to specific claims payments made in 1997 in respect of the Nakhodka incident.

Milford Haven Claims Handling Office

12. The 1971 Fund and the Skuld Club established a local claims handling office in Milford Haven to deal with claims for compensation arising from the Sea Empress incident. This office was closed in February 1998, by which time final settlements had been reached in respect of the majority of claims presented.

13. My staff visited the local claims office in Milford Haven in August 1997 and were favourably impressed by the way in which it was operated and managed. During the visit they were able to review and assess the overall procedures and internal controls in operation. Subsequently, as part of their routine examination of a sample of 1997 claims payments at the Fund's headquarters, they examined a number of claims payments relating to the Sea Empress incident.

14. My staff were satisfied in all of the cases examined, that assessments had been carried out thoroughly and in accordance with the 1971 Fund's claims policy. Sea Empress claims files held at the claims office and the Fund's headquarters were particularly well structured and documented, thereby aiding my staff's review, and providing transparency to the whole claims process. Each file contained all key documents relating to that individual claim including:

- a record of all individual payments made in respect of the claim;
- ITOPF (International Tanker Owners Pollution Federation) or other expert's assessment report(s);
- correspondence between the local claims office and the Fund and the Club;
- letters sent by the Fund to the claimant giving an explanation of the assessment;
- copies of the authorisation for payment from the Fund and the Club;
- a copy of the signed receipt(s) obtained from the claimant.

From their visit to the local claims office my staff also noted that many of the office procedures had been systematically documented and where necessary, standardised documents produced.

15. I consider that there is much scope for the Fund to capitalise on the experience of, and the work carried out by the Milford Haven claims office, and to use this for the benefit of other local claims offices. This would minimise the amount of time spent "reinventing the wheel" whenever a new claims office is established and would increase overall consistency in the claims handling process. Similarly lessons learned from other local claims offices should be identified and passed on to others. I therefore welcome the recent action taken by the Fund to clarify and expand existing claims handling office guidelines and to engage two people with recent experience of setting up and running local claims offices to review the operation of such offices. I also welcome the Director's proposal to seek endorsement from the international group of P&I Clubs for a standard set of claims handling office guidelines.

16. In order to further strengthen the guidance given to local claims offices I recommend that these guidelines are further developed and expanded into a comprehensive claims office manual. This manual should set out the role of a local claims office and cover all procedures and processes appropriate to this level of the Fund's operations. The manual, which should be continually reviewed and revised as necessary, should draw together best practice and aim to standardise the work of local claims offices. I have commented further on the need for greater standardisation in paragraph 41 below.

Nakhodka Claims Handling Office

Background

17. The 1971 Fund, the 1992 Fund, the shipowner and his insurer (the UK Club), have established jointly a claims handling office in Kobe, Japan, to deal with the assessment of claims arising from the Nakhodka incident. This local claims office is operated and managed by General Marine Surveyors and Co Ltd of Japan (GMS). The International Tanker Owners Pollution Federation Ltd (ITOPF) also provides expertise on claims on behalf of both the UK Club and the Fund. Tourism claims are being separately handled and assessed by the Japanese firm of surveyors, Comes and Co Ltd.

18. As at 13 July 1998, 449 claims totalling ¥34.006 million (approximately £143 million) had been received. Of this, 343 claims totalling ¥2,910 million (approximately £12 million) were from businesses in the tourism industry. Claims payments made to July 1998 totalled £23.6 million and are analysed in Table 2 below:

Table 2 – Nakhodka Claims Payments (January 1997 to July 1998)

	1997	1998	Total
		(to July)	
	£	£	£
<u>Clean up operations</u>			
Japan Marine Disaster Prevention Centre (JMDPC)	12,351,184	-	12,351,184
and contractors			
Shipowner's contractors	47,268	237,542	284,810
Fishery Co-operatives	3,438,871	-	3,438,871
Prefectures and Municipalities	6,490,224	754,694	7,244,918
<u>Loss of income</u>			
Fishery	236,995	-	236,995
Aquarium	18,619	-	18,619
	-----	-----	-----
	22,583,161	992,236	23,575,397
	-----	-----	-----

Provisional Payments

19. As shown above, total Nakhodka claims payments made in 1997 amounted to £22,583,161. I noted that final agreed assessments had been made only in respect of payments to a shipowner's contractor (£47,268) and in respect of part of a fishery claim (£236,995). The remainder of payments made in 1997 were provisional payments, made to alleviate hardship, and were based on a prudent initial

assessment of the likely amounts payable. These payments ranged from between 27 per cent to 58 per cent of the total amounts claimed.

20. I found that in all cases where provisional payments had been made, the basis on which they had been calculated was appropriate and reasonable and unlikely to exceed 60 per cent of the eventual assessments (the level provisionally set by the Executive Committee for all Nakhodka claims payments). Provisional payments were almost exclusively in respect of clean up operations.

21. In reviewing the basis on which these provisional payments had been calculated, my staff found that in all cases, GMS had prepared detailed assessment reports. These reports gave a summary translation in English of the content of the claims and the detailed amounts claimed, most of which were extremely voluminous. Some of the GMS assessment reports were final, although they had not been fully reviewed by ITOPF and agreed by the Fund and the UK Club (see further comments at paragraph 24 below), and some were only preliminary provisional assessments for the purpose of making an initial payment to the claimant. A considerable amount of work had been undertaken by GMS in preparing these assessment reports, which will have to be revisited before the assessments are finalised.

22. Given the extent of work undertaken to form a view as to the level of preliminary payments, in particular the high level of administrative work involved, efficiency could be increased if the process for making preliminary assessments were simplified. This would of course only be appropriate in cases such as claims for clean up operations, where there are no matters of principle involved. A simple checklist could be drawn up against which key criteria (such as evidence of a fully documented claim, a bona fide claimant and admissibility in principle) could be checked. The surveyor or expert assessing the claim should only need to produce a summary report, containing a preliminary assessment of the claim, which would cover the principles and justification for a provisional payment as well as setting out the basis for the proposed level of the initial payment. This simplified process could be adopted in all incidents where claims are large and/or complicated and where some provisional payment is appropriate due to the inevitable delay necessary for completing a full assessment.

23. I therefore recommend that the Fund reviews the criteria and procedures to be adopted for making provisional payments to claimants. I also recommend that guidelines are drawn up, which can be used for any incident, setting out the principles involved and the level and extent of documentation required, and that these guidelines are incorporated into the claims office manual referred to in paragraph 16 above.

Key Principles

24. In reviewing the assessment reports prepared by GMS, my staff noted that some of these were final although they had not yet been fully considered by ITOPF and agreed by the Fund and the UK Club. With regard to the claims for clean up operations, the main concerns lay in the rates assessed by GMS for labour and vessel charges and for the level of general expenses accepted. Resolution of these key issues has caused delay in the settlement of claims, although it is understood that these issues are currently being negotiated. Also, if the rates eventually agreed by all parties are different to those assessed by GMS, the assessment reports will have to be revised and the calculations reperformed, thereby adding to the delay and administrative effort.

25. I recommend that, for outstanding claims in respect of clean up operations in the Nakhodka incident, the 1971 Fund now take steps to identify and resolve the outstanding issues of principle with the UK Club, in consultation with ITOPF, so that these claims can be settled as quickly as possible.

26. In my view, there appears to be scope for agreeing the general principles to be applied in respect of the assessment of claims at a much earlier stage in the assessment process. I therefore recommend that in future, where claims are not straightforward, where possible, the key principles of an individual claim or group of claims are identified and isolated at the initial stage of assessment. These issues should then be clearly analysed and an initial proposed assessment or methodology formally reported to all parties for discussion and agreement. Final agreement would of course be subject to a full and complete assessment. I also recommend that a reasonable timetable for agreeing these general principles is established and agreed between the parties, once a particular problem has been recognised, and that a written record of all correspondence and decisions on these principles is filed by the Fund on an individual claim basis.

Staffing of Claims Office

27. The volume of claims received for this incident is extremely large and many of the claims themselves are very detailed. My staff were concerned that the level of work remaining before final assessments can be agreed is considerable and that these may not be completed for some time.

28. GMS have had to expand the size of their workforce from three staff to thirteen in order to cope with the increased workload related to the Nakhodka incident. The office staff now comprises seven marine surveyors and six secretaries. Cornes and Co employ three surveyors and three accounting clerks for the assessment of tourism claims.

29. Since the number of suitably qualified and experienced marine surveyors available in Japan is limited, the expertise of the GMS surveyors and the time they spend in assessing claims is extremely valuable. My staff consider that it may be possible to free up some of the surveyors' time by employing additional staff such as accountants or other professional experts to check less specialised areas of the claims. The time spent by the surveyors can then be focused on the areas of the claim where their specialised knowledge and expertise is vital. I therefore recommend that the Fund carry out a review of the current workload of the local claims office in order to assess whether such additional staff ought to be employed, or whether the mix of staff could be changed. I understand that measures to this effect are currently being considered. I have commented further on the Fund's role in establishing and managing local claims offices, including the associated staffing issues at paragraphs 39, 40 and 43 below.

Filing and Documentation

30. My staff found that documents at the local claims office were carefully and systematically filed, however they found that the method of filing individual documents did not easily facilitate external, independent review of individual claims. For example, correspondence between GMS and the Fund and UK Club was filed chronologically in a central file rather than by individual claim and therefore it was difficult for my staff to obtain and to review a complete set of all documents and correspondence relating to the individual claims selected for examination. In addition, summaries or notes of events such as site visits or key meetings ought to be recorded on the individual claims file so as to facilitate independent third party review of all action taken in respect of the assessment.

31. I therefore recommend that documentation both at the local claims office and at the Fund's headquarters is filed as far as possible by individual claim, and that notes of key actions taken are documented on the individual claim file or are cross referred to a central file. In this respect I recommend that the Fund draws up detailed guidance on the filing and documentation standards required and that all files, whether at headquarters or at the local claims office are maintained on a consistent and standardised basis. These guidelines should also address key audit requirements.

Assessment of Claims

32. My staff found that the assessment reports produced by GMS were very detailed. All elements of the claim and the individual amounts claimed were clearly explained, and in those cases where assessment reports were final, my staff were satisfied that the assessment had been carried out thoroughly and adhered to the Fund's criteria regarding the admissibility of claims. In reviewing the assessment reports themselves, however, my staff found that these did not always fully explain all of the judgements made and the methodologies used, nor were these judgements and methodologies set out clearly in other supporting documents held. Whilst I appreciate that the parties involved were fully

briefed on the relevant issues, and that GMS were able to give further explanations directly to my staff. I consider that assessment reports should, as far as possible, stand alone. They should provide a complete and succinct explanation supporting the basis on which the assessment has been made, so that all decisions and judgements made may be reviewed and understood by a competent, independent third party.

33. I therefore recommend that the Fund establish guidelines covering the structure and general content of assessment reports. These guidelines should cover such matters as the need to:

- clearly document the assessment process including the extent to which supporting documents and records were provided by the claimant and the extent to which these have been examined by the assessor; and
- clearly explain the basis on which the amounts claimed were agreed, reduced or rejected.

These guidelines should be incorporated into the claims office manual referred to in paragraph 16 above.

34. By establishing common and appropriate guidelines/instructions for assessment reports, the Fund would increase both the transparency of decisions taken with regard to individual claims settlements, and reduce the risk of inequality in treatment of claimants by different assessors. Additionally, it is possible that the number of subsequent questions raised by the Fund, the Club or ITOPF on the principle of the claim or on the methodology used, could be minimised if, from the outset, surveyors and other experts were more fully briefed on the reporting requirements.

Tourism Claims

35. My staff visited the office of Cornes and Co Ltd in Kobe where they spoke with staff to determine the approach to be adopted in respect of the assessment of tourism claims. As no payments had been made at that time in respect of tourism claims, my staff did not carry out a detailed examination of any particular claims.

36. Cornes and Co explained to my staff that claims were being examined on a case by case basis and that the same assessment process was being followed in the Nakhodka incident as in the Sea Empress incident. The Fund had provided Cornes and Co with sample reports from the Sea Empress incident, prepared by L and R Management Consultants Ltd (UK), and had also engaged L and R Management Consultants Ltd to advise in the assessment process for the Nakhodka incident. I welcome the action taken by the Fund to ensure that Cornes and Co were provided with appropriate advice and support with regard to the Fund's requirements for assessing tourism claims and also welcome the proposed consistency in approach between the two incidents.

Claims Related Expenditure

37. As shown in Table 1 above, total Nakhodka claims related payments in 1997 amounted to £2,580,937. Of this, £1,688,932 related to the cost of running the local claims office (including the fees of GMS and Cornes and Co) for the period January to October 1997.

38. My staff examined the records maintained by GMS for recording time worked and costs incurred in relation to the Nakhodka incident. They examined the invoice for March 1997 in detail and were satisfied that this was properly prepared and in accordance with the tariff of survey fees agreed between the Fund and GMS.

Headquarters' Procedures and Controls

Management of Local Claims Offices

39. The recent review of Secretariat working methods carried out by external consultants identified the need for improved management of local claims offices by the Fund. The areas for improvement identified included the need for the Fund to "take full responsibility for defining and reviewing the parameters of local claims office activity, the nature of the interface between the local claims office and London, and the appropriate allocation of tasks".

40. I endorse the consultants' findings and recommendations, and from my review of operations both at Milford Haven and Kobe, I would also agree that the Fund should exercise a greater managerial and advisory role with regard to day to day operations at the local claims offices. Due to the small size of the Secretariat in London it has been the policy up to now to fully contract out the work of the local claims office to independent experts. The Fund has therefore relied heavily on those contractors to establish appropriate systems and procedures, within the parameters and guidelines provided by the Fund.

41. Given the need for consistency in the treatment of claimants, I consider that it is the responsibility of the Fund to establish appropriate systems and procedures at each of the local claims offices, and to ensure that these are implemented and followed by the contractors employed. In my view, the risk of inconsistency in the treatment of claims can be reduced through the standardisation of processes and procedures, whilst still allowing a necessary degree of flexibility to accommodate local circumstances. To this end I have recommended above that the Fund draw up a comprehensive local claims office manual (paragraph 16) and that general guidelines on specific issues are established (see paragraph 23 regarding provisional payments, paragraph 31 regarding filing and documentation, and paragraph 33 regarding assessment reports). Processes and procedures at the local claims offices should in turn be consistent with those adopted for other incidents which are handled directly by the Fund.

42. The availability of guidance and set procedures will also assist the local claims office staff in carrying out their responsibilities and ensure that they are more fully supported. This is often important where the contractor (such as GMS in Japan) has had no previous experience in running a local claims office, and where their expertise is predominantly in carrying out assessments of claims.

43. I recommend that the Fund are more fully involved in the administrative arrangements at the local claims office by taking a lead in the establishment of the office, including the recruitment of staff employed; by providing day to day advice on management issues; and through actively reviewing operations. I welcome the recent restructuring of the Fund's secretariat and the recruitment of a Head of Claims, whose responsibilities will include management and oversight of these offices.

Use of Experts

44. The Fund employs a variety of experts to operate local claims offices, to review and assess claims and to provide legal advice and services. A paper on the 1971 Fund's use of experts was prepared by the Director in September 1996 and submitted to the Executive Committee (71FUND/EXC.50/15). In this paper the Director reported that in many fields in which the Fund requires expertise, there are very few experts available with the appropriate experience, thus limiting the choices open to the Fund. At this time the Executive Committee did not consider that it was possible to establish firm criteria for the selection of experts and expressed the view that it should be left to the Director to decide on the most appropriate expert for each particular incident.

45. Given the nature of the expertise required by the Fund and the immediacy with which services are often required, it is not always possible to enter into detailed contractual negotiations with experts or lawyers before they are appointed. However, there are several ways in which the Fund can attempt to minimise the risks to value for money in this area. In particular, I recommend that:

- wherever possible, fees/tariffs and contractual terms are agreed in writing before appointment, or if this is not possible, as soon as possible thereafter;
- experts/lawyers are requested to provide a reasonable minimum level of detail in their invoices to support the amounts billed;
- a database of fees paid to individual experts is established so that the Fund can more easily monitor amounts paid against specific work carried out and also the fee levels between individual experts working in similar fields;

- a database of qualified experts/lawyers is drawn up to assist the Fund in its selection of such experts. This database should contain details of those experts/lawyers already used by the Fund (where performance has been satisfactory) and also any others who may be suitably qualified.

Other Financial Matters

Contingent Liabilities

General

46. The 1971 Fund's contingent liabilities are disclosed in Schedule III to the financial statements and mostly relate to compensation claims for oil pollution damage. Under the 1971 Fund Convention, those liabilities which mature, will be met by contributions assessed by the 1971 Fund Assembly.

47. As disclosed in Schedule III to the financial statements, the 1971 Fund has assessed contingent liabilities of £390,555,000 as at 31 December 1997, compared with £276,846,632 in 1996. Of the total for 1997, £29,336,000 relates to the Haven incident, which is explained in more detail below.

Haven Incident

48. The total amount payable of £29,336,000 (Schedule III) represents the 1971 Fund's view of the maximum compensation of £35,284,000 (60 million Special Drawing Rights) payable under the 1971 Fund Convention, less amounts paid in 1996 of £2,048,000, less the shipowner's limitation amount of £8,233,000, plus indemnification of £3,333,000 and fees of £1,000,000.

49. As at 31 December 1997, claims submitted for compensation for oil pollution damage resulting from the Haven incident totalled approximately £575 million. In addition there were non-quantified claims relating to damage to the marine environment. The Italian courts in Genoa dealing with the claims have been called upon to rule on the extent of the 1971 Fund's liability under the 1971 Fund Convention.

50. On 14 March 1992, the judge in the Court of first instance in Genoa in charge of the limitation proceedings rendered a decision which indicated that the 1971 Fund would face a potential maximum liability of LIt 771,397,947,400 (approximately £265 million). This compared with the 1971 Fund's assessment of LIt 102,643,800,000 (60 million Special Drawing Rights, approximately £35 million), being the maximum amount available under the 1969 Civil Liability and 1971 Fund Conventions.

51. The 1971 Fund lodged opposition to the judge's decision of 14 March 1992. On 26 July 1993, the Italian Court of first instance in Genoa rendered its judgement in respect of the 1971 Fund's opposition in which it upheld the judge's decision of 14 March 1992. The 1971 Fund appealed against this judgement.

52. In a judgement rendered on 30 March 1996, the Court of Appeal in Genoa confirmed the judgement of the Court of first instance. In April 1996, the Executive Committee instructed the Director to take the necessary steps to appeal to the Supreme Court of Cassation. An appeal was lodged in January 1997.

53. In April 1996, the judge in the Court of first instance in Genoa in charge of the limitation proceedings rendered a decision in which he determined the admissible claims for compensation. These amounted to some LIt 186,000 million (£64 million) plus interest and compensation for devaluation. The 1971 Fund has lodged opposition to a number of these claims.

54. In June 1995 and again in October 1996, the 1971 Fund Assembly instructed the Director to explore the possibility of arriving at a global settlement which fell within the maximum amount of compensation available. In February 1998, the Italian government submitted a bill to parliament which, if approved, would enable the government to conclude an agreement for a global settlement fulfilling the conditions laid down by the Assembly and the Executive Committee. The bill was approved by the Italian parliament in July 1998. I understand that an agreement on a global settlement will be signed shortly.

55. As explained in my previous reports, because of the uncertainty surrounding the outcome of these proceedings, I have qualified my audit opinion on the 1971 Fund's financial statements in respect of the contingent liability for the Haven incident.

Recovery of VAT

56. As I noted in my report on the 1971 Fund's 1995 and 1996 financial statements, a number of invoices received from Italian law firms, dating back to 1991, have been paid inclusive of Italian value added tax. The Italian authorities have agreed in principle that some £303,000 of value added tax should be repaid to the 1971 Fund. Although the financial statements do not record the amounts due for repayment, and to date no money has been repaid, the 1971 Fund still expects to receive a full refund.

Control of Supplies and Equipment

57. In accordance with the 1971 Fund's stated accounting policies, purchases of equipment, furniture, office machines, supplies and library books are not included in the 1971 Fund's balance sheet.

Note 13 (b) to the financial statements shows that the value of these assets held by the 1971 Fund as at 31 December 1997 amounted to £178,193.

58. My staff carried out a test examination of the 1971 Fund's records of supplies and equipment under Financial Regulation 13.16 (d). As a result of this examination, I am satisfied that the supplies and equipment records as at 31 December 1997 properly reflect the assets held by the 1971 Fund. No losses were reported by the 1971 Fund during the year.

Amounts Written Off and Fraud

59. The Secretariat have informed me that there were no amounts written off, or cases of fraud or presumptive fraud during the financial period, other than the write off of uncollected interest amounting to £41,037 as noted in paragraph 62 below.

Contributors in Liquidation


60. As recorded in the 1971 Fund's balance sheet, outstanding contributions due to the 1971 Fund as at 31 December 1997 totalled £2,610,543. Of this, a total of £287,258 was due from two individual contributors who have gone into liquidation (£9,945 was due from a Dutch contributor, and £277,313 from a German contributor).

61. The Director provided the Assembly with information on these two cases in April 1998 (71FUND/A/ES.4/6). In the case of the German contributor, negotiations have been carried out and it is expected that a major part of the amount owed will be recovered. However in the case of the Dutch contributor, it is highly unlikely that all of the monies owed to the 1971 Fund will be received. The 1971 Fund has made no provision in the 1997 financial statements against amounts owed which may not subsequently be recovered, however the relevant amounts are disclosed in note 14 to the financial statements.

62. In the case of a third contributor in liquidation (as detailed in Assembly paper 71FUND/A/ES.4/6), £180,000 was paid to the 1971 Fund in 1997, in full and final settlement of all outstanding amounts. The total amount due as at 1 September 1997 amounted to £221,037, including £41,037 in interest. Interest was therefore not recovered.

PART THREE – ACKNOWLEDGEMENT

63. I wish to record my appreciation of the willing cooperation and assistance extended by the Director, his staff, and the staff at the local claims handling offices in Milford Haven and Kobe during the course of my audit.



6th Oct 1998

Sir John Bourn

Comptroller and Auditor General, United Kingdom

External Auditor

ANNEX III**FINANCIAL STATEMENTS OF THE INTERNATIONAL
OIL POLLUTION COMPENSATION FUND 1971 FOR
THE YEAR ENDED 31 DECEMBER 1997****OPINION OF THE EXTERNAL AUDITOR**

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

I have examined the appended financial statements, comprising Statements I to IX, Schedules I to III and Notes, of the International Oil Pollution Compensation Fund 1971 for the year ended 31 December 1997 in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, as appropriate. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

Subject to the uncertainty of the contingent liability referred to in paragraphs 48 to 55 of my Report, as a result of my examination, I am of the opinion that the financial statements present fairly the financial position as at 31 December 1997 and the results of the year then ended; that they were prepared in accordance with the 1971 Fund's stated accounting policies which were applied on a basis consistent with that of the preceding financial year; and that the transactions were in accordance with the Financial Regulations and legislative authority.



64 October 1998

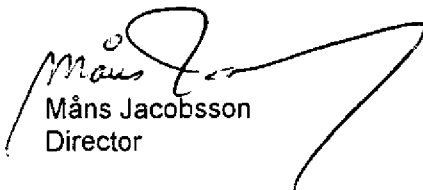
**Sir John Bourn
Comptroller and Auditor General, United Kingdom
External Auditor**

ANNEX IV

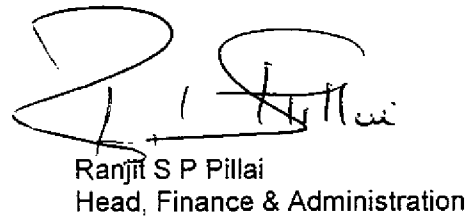
**FINANCIAL STATEMENTS
OF THE INTERNATIONAL OIL
POLLUTION COMPENSATION FUND 1971
FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 1997**

CERTIFICATION FO THE FINANCIAL STATEMENTS

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



Måns Jacobsson
Director



Ranjit S P Pillai
Head, Finance & Administration

STATEMENT I
GENERAL FUND

STATEMENT OF BUDGET APPROPRIATIONS AND OBLIGATIONS INCURRED FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 1997

CLASS OF EXPENDITURE		NOTE	BUDGET APPROPRIATIONS		REVISED BUDGET APPROPRIATIONS		OBLIGATIONS INCURRED		BALANCE OF APPROPRIATIONS		SPLIT OF OBLIGATIONS	
			1997	1996	1997	1996	1997	1996	1997	1996	1971 Fund	1992 Fund
SECRETARIAT			£	£	£	£	£	£	£	£	£	£
I	PERSONNEL											
a	Salaries		682 140	530 140	682 140	530 140	650 921	512 276	31 219	17 864	455 645	195 276
b	Separation and recruitment		131 020	19 430	131 020	19 430	106 318	9 822	24 702	9 608	74 423	31 895
c	Staff benefits and allowances		252 030	224 050	252 030	224 050	187 203	167 053	64 827	56 997	131 042	56 161
d	Home leave		4 500	5 000	4 500	5 000	1 253	2 334	3 247	2 666	877	376
			1 069 690	778 620	1 069 690	778 620	945 695	691 485	123 995	87 135	661 987	283 708
II	GENERAL SERVICES											
a	Rent of office accommodation		100 580	93 710	100 580	93 710	91 841	72 765	8 739	20 945	64 289	27 552
b	Office machines	2	38 000	25 000	43 422	36 177	43 422	36 177	-	-	30 395	13 027
c	Furniture and other office equipment		12 000	8 000	12 000	8 000	11 423	5 835	577	2 165	7 996	3 427
d	Office stationery and supplies		20 000	23 000	20 000	23 000	16 886	18 775	3 114	4 225	11 820	5 066
e	Communications		40 000	40 000	40 000	40 000	39 932	26 477	68	13 523	27 952	11 980
f	Other supplies and services		27 500	25 000	27 500	25 000	25 077	18 968	2 423	6 032	17 554	7 523
g	Hospitality		14 000	14 000	14 000	14 000	12 910	9 663	1 090	4 337	9 037	3 873
h	Printing and publication	2	90 000	90 000	84 578	78 823	62 509	71 800	22 069	7 023	43 756	18 753
			342 080	318 710	342 080	318 710	304 000	260 460	38 080	58 250	212 799	91 201
III	MEETINGS											
a	Assembly/ Executive Committee (Autumn)		25 000	21 075	25 000	22 589	20 055	22 589	4 945	-	12 033	8 022
b	Further Meetings Executive Committee		40 000	31 720	40 000	30 206	16 834	18 701	23 166	11 505	16 834	-
c	Intersessional Working Group		20 000	7 930	20 000	7 930	1 601	-	18 399	7 930	801	800
d	1971 Fund Assembly / Extraordinary		10 000	21 075	10 000	21 075	3 379	9 829	6 621	11 246	3 379	-
e	1992 Fund Assembly / Extraordinary		20 000	-	20 000	-	2 024	-	17 976	-	-	2 024
			115 000	81 800	115 000	81 800	43 893	51 119	71 107	30 681	33 047	10 846
IV	CONFERENCES AND TRAVEL											
a	Conferences and seminars	2	20 000	20 000	29 022	20 000	29 022	12 173	-	7 827	20 315	8 707
b	Mission	2	20 000	20 000	10 978	20 000	2 066	11 601	8 912	8 399	1 033	1 033
			40 000	40 000	40 000	40 000	31 088	23 774	8 912	16 226	21 348	9 740
V	MISCELLANEOUS EXPENDITURE											
a	External audit		21 000	18 500	21 000	18 500	21 000	18 000	-	500	21 000	-
b	Payment to IMO for general services		6 000	5 300	6 000	5 300	6 000	5 300	-	0	4 200	1 800
c	Consultants' fees	2	100 000	80 000	117 194	78 227	117 194	32 175	-	46 052	58 597	58 597
d	Payment to IMO for translator	2	49 950	45 000	60 520	46 773	60 520	46 773	-	0	42 364	18 156
e	Investment Advisory Body		18 000	18 000	18 000	18 000	18 000	18 000	-	0	12 600	5 400
			194 950	166 800	222 714	166 800	222 714	120 248	-	46 552	138 761	83 953
VI	UNFORESEEN EXPENDITURE	2	60 000	50 000	32 236	50 000	-	-	32 236	50 000	-	-
TOTAL EXPENDITURE I - VI			1 821 720	1 435 930	1 821 720	1 435 930	1 647 390	1 147 086	274 330	288 844	1 067 942	479 448

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

Note B: Although the 1997 Budget divided Chapter I (Personnel) into five items, Personnel expenditure in this Statement has been regrouped into four items to enable a comparison to be made with the 1996 Accounts.

STATEMENT II

GENERAL FUND

**INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 1997**

	Note	1997		1996	
INCOME		£	£	£	£
Contributions (Schedule I)					
Initial contributions			70 136		1 162
(Refund working capital)/Annual contributions			(4 971 115)		5 808 890
Adjustment to prior years' assessment	3		412 253		7 212
			(4 488 726)		5 817 264
Miscellaneous					
Miscellaneous income	4	5 571		248 545	
Income from 1992 Fund		-		68 117	
Transfer from <i>Kasuga Maru</i> N°1 MCF		-		29 744	
Transfer from <i>Rio Orinoco</i> MCF		-		83 017	
Transfer from <i>Taiko Maru</i> MCF		112 567		-	
Transfer from <i>Toyotaka Maru</i> MCF		104 237		-	
Interest on loan to <i>Vistabella</i> MCF	5	20 459		18 618	
Interest on loan to <i>Yuil</i> N°1 MCF		-		8 306	
Interest on loan to <i>Sea Empress</i> MCF		-		113	
Interest on overdue contributions	6	48 947		28 710	
Interest on investments	7	1 154 983		1 070 460	
			1 446 764		1 555 630
			(3 041 962)		7 372 894
EXPENDITURE					
Secretariat expenses (Statement I)					
Obligations incurred	8		1 067 942		975 953
Claims (Schedule II)					
Compensation			70 528		1 977 901
Claims related expenses (Schedule II)					
Fees		1 226 620		1 492 239	
Travel		9 346		1 769	
Miscellaneous		1 521		6 808	
			1 237 487		1 500 816
			2 375 957		4 454 670
Income less expenditure			(5 417 919)		2 918 224
Exchange adjustment	9		(405 164)		(44 026)
			(5 823 083)		2 874 198
Transfer from <i>Agip Abruzzo</i> MCF			-		(176 662)
(Shortfall)/Excess of income over expenditure			(5 823 083)		2 697 536

STATEMENT III
INCOME AND EXPENDITURE ACCOUNT OF
THE TAIKO MARU AND TOYOTAKA MARU MAJOR CLAIMS FUNDS
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 1997

	Note	Taiko Maru Major Claims Fund				Toyotaka Maru Major Claims Fund			
		1997		1996		1997		1996	
INCOME		£	£	£	£	£	£	£	£
Contributions (Schedule I)									
Annual contributions		-		-		-		-	
Adjustment to prior years' assessment		-		5 707		-		3 480	
			-		5 707		-		3 480
Miscellaneous									
Interest on overdue contributions		-		2 526		-		9 771	
Interest on investments		-		195 612		-		258 558	
			-		198 138		-		268 329
			-		203 845		-		271 809
EXPENDITURE (Schedule II)									
Compensation		-		-		-		125 189	
Fees		-		-		-		16 242	
Miscellaneous		-		-		-		92	
			-		-		-		141 523
Excess of income over expenditure			-		203 845		-		130 286
Balance b/f: 1 January			3 599 255		3 395 410		4 781 651		4 651 365
Credit to Contributors' Account		3 486 688		-		4 677 414		-	
Transfer to General Fund		112 567		-		104 237		-	
			3 599 255		-		4 781 651		-
Balance as at 31 December			NIL		3 599 255		NIL		4 781 651

STATEMENT IV

INCOME AND EXPENDITURE ACCOUNT OF THE HAVEN, AEGEAN SEA, BRAER AND KEUMDONG N°5 MAJOR CLAIMS FUNDS FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 1997

	Note	Haven Major Claims Fund				Aegean Sea Major Claims Fund				Braer Major Claims Fund				Keumdong N°5 Major Claims Fund			
		1997		1996		1997		1996		1997		1996		1997		1996	
INCOME		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Contributions (Schedule I)																	
Annual contributions (second levy)		-		-		-		-		-		13 940 004		-		-	
Annual contributions (first levy)		-		-		-		-		-		-		-		-	
Adjustment to prior years' assessment	3	30 258		921		263 006		676 876		393 504		21 919		133 320		8 576	
			30 258		921		263 006		676 876		393 504		13 961 923		133 320	8 576	
Miscellaneous																	
Interest on overdue contributions	6	71 680		-		52 298		25 122		9 726		22 275		5 762		13 252	
Interest on investments	7	1 722 285		1 523 134		2 165 995		1 914 053		374 533		286 353		424 834		493 479	
Interest on loans to Braer MCF		-		41 850		-		-		-		-		-		-	
Interest on loans to Nakhodka MCF		-		-		158 724		-		-		-		-		-	
			1 793 965		1 564 984		2 377 017		1 939 175		384 259		308 628		430 596	506 731	
			1 824 223		1 565 905		2 640 023		2 616 051		777 763		14 270 551		563 916	515 307	
EXPENDITURE (Schedule II)																	
Compensation		-		2 048 108		-		356 613		-		(1 454)		-		5 639 236	
Fees		523 655		662 958		297 031		698 706		241 379		570 150		57 437		133 907	
Travel		2 927		2 160		2 969		6 245		11 586		14 495		-		-	
Interest on loan from Haven MCF		-		-		-		-		-		41 850		-		-	
Miscellaneous		303		1 126		462		1 304		427		14 698		70		179	
			528 885		2 714 352		300 462		1 062 868		253 392		639 739		57 507	5 773 322	
Excess/(shortfall) of income over expenditure			1 297 338		(1 148 447)		2 339 561		1 553 183		524 371		13 630 812		506 409	(5 258 015)	
Balance b/f: 1 January			28 007 983		29 156 430		35 395 634		33 842 451		5 836 657		(7 794 155)		6 699 793	11 957 808	
Amount due to Haven MCF																	
Balance as at 31 December			29 305 321		28 007 983		37 735 195		35 395 634		6 361 028		5 836 657		7 206 202	6 699 793	

STATEMENT V

**INCOME AND EXPENDITURE ACCOUNT OF
THE SEA PRINCE, YEO MYUNG, YUIL N°1 AND SENYO MARU MAJOR CLAIMS FUNDS
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 1997**

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	Note	Sea Prince Major Claims Fund				Yeo Myung Major Claims Fund				Yuil N°1 Major Claims Fund				Senyo Maru Major Claims Fund			
		1997		1996		1997		1996		1997		1996		1997		1996	
INCOME		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Contributions (Schedule I)																	
Annual contributions (Ithrd levy)		4 816 324		-		-		-		5 779 589		-		-		-	
Annual contributions (second levy)		6 747 898		-		963 986		-		4 819 928		-		-		-	
Annual contributions (first levy)		-		10 650 275		-		1 936 414		-		6 777 448		-		2 904 620	
Adjustment to prior years' assessment	3	243 899		-		44 345		-		155 208		-		66 518		-	
			11 808 121		10 650 275		1 008 331		1 936 414		10 754 725		6 777 448		66 518	2 904 620	
Miscellaneous																	
Interest on overdue contributions	6	5 799		21 433		704		3 897		4 663		13 639		432		4 728	
Interest on investments	7	961 098		502 481		173 075		97 109		364 599		-		104 757		87 583	
Recovery from shipowner's insurer		-		-		-		-		-		-		1 418 375		-	
			966 897		523 914		173 779		101 006		369 262		13 639		1 523 564	92 311	
			12 775 018		11 174 189		1 182 110		2 037 420		11 123 987		6 791 087		1 590 082	2 996 931	
EXPENDITURE (Schedule II)																	
Compensation		4 315 189		1 318 262		317 850		-		41 846		5 959 273		26 184		1 450 409	
Fees		237 500		14 824		64 557		-		125 840		313 035		19 337		111 016	
Interest on loan from the General Fund		-		-		-		-		-		8 306		-		904	
Travel		5 255		-		-		-		-		-		-		-	
Miscellaneous		75		79		56		-		1 605		286		51		1 417	
			4 558 019		1 333 165		382 463		0		169 291		6 280 900		45 572	1 563 746	
Excess of income over expenditure			8 216 999		9 841 024		799 647		2 037 420		10 954 696		510 187		1 544 510	1 433 185	
Amount due to General Fund			-		-		-		-		-		(402 929)		-	-	
Balance b/f: 1 January			9 841 024		-		2 037 420		-		107 258		-		1 433 185	-	
Balance as at 31 December			18 058 023		9 841 024		2 837 067		2 037 420		11 061 954		107 258		2 977 695	1 433 185	

STATEMENT VI

INCOME AND EXPENDITURE ACCOUNT OF
THE SEA EMPRESS AND NAKHODKA MAJOR CLAIMS FUNDS
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 1997

	Note	<i>Sea Empress</i> Major Claims Fund		<i>Nakhodka</i> Major Claims Fund	
		1997		1997	
INCOME		£	£	£	£
Contributions (Schedule I)					
Annual contributions (2nd levy)		19 862 302		-	
Annual contributions (1st levy)		9 942 231		14 717 793	
			29 804 533		14 717 793
Miscellaneous					
Interest on overdue contributions	6	14 834		5 309	
Interest on investments	7	757 303		-	
			772 137		5 309
			30 576 670		14 723 102
EXPENDITURE (Schedule II)					
Compensation		6 045 226		22 583 161	
Fees		952 762		1 545 877	
Interest on loan from <i>Aegean Sea</i> MCF	10	-		158 724	
Travel		5 700		23 537	
Miscellaneous		12 440		7 144	
			7 016 128		24 318 443
Excess/(shortfall) of income over expenditure			23 560 542		(9 595 341)
Amount due to General Fund			(58 257)		-
Balance as at 31 December:					
Amount due to <i>Aegean Sea</i> MCF			23 502 285		(9 595 341)

STATEMENT VII**PROVIDENT FUND**INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 1997

	Note	1997		1996	
RECEIPTS		£	£	£	£
Balance b/f: Accounts of staff members as at 1 January			1 005 794		805 746
Contributions of staff members	11		55 733		49 698
Contributions of IOPC Funds	11		111 465		99 395
Interest received during period	12		73 599		60 955
			1 246 591		1 015 794
PAYMENTS					
Housing loans		47 316		10 000	
Withdrawal on separation		293 909		-	
			341 225		10 000
Accounts of staff members as at 31 December			905 366		1 005 794

STATEMENT VIII**BALANCE SHEET OF THE 1971 FUND AS AT 31 DECEMBER 1997**

	Note	1997	1996
ASSETS		£	£
Cash at banks and in hand	13	139 738 751	115 793 967
Contributions outstanding	14	2 610 543	1 354 808
Due from 1992 Fund		355 320	237 898
Due from <i>Vistabella</i> MCF		386 056	347 808
Due from <i>Nakhodka</i> MCF to <i>Aegean Sea</i> MCF		9 595 341	-
Due from MCF <i>Sea Empress</i>		-	58 257
Tax recoverable	15	41 607	77 257
Miscellaneous receivable	16	14 259	11 710
Interest on overdue contributions		26 898	25 342
TOTAL ASSETS		152 768 775	117 907 047
LIABILITIES			
Staff Provident Fund		905 366	1 005 794
Accounts payable	17	31 213	31 987
Unliquidated obligations	18	143 222	135 327
Prepaid contributions		245 053	374 897
Contributors' account	19	135 917	532 865
Due to <i>Haven</i> MCF		29 305 321	28 007 983
Due to <i>Aegean Sea</i> MCF		37 735 195	35 395 634
Due to <i>Braer</i> MCF		6 361 028	5 836 657
Due to <i>Taiko Maru</i> MCF		-	3 599 255
Due to <i>Keumdong N°5</i> MCF		7 206 202	6 699 793
Due to <i>Toyotaka Maru</i> MCF		-	4 781 651
Due to <i>Sea Prince</i> MCF		18 058 023	9 841 024
Due to <i>Yeo Myung</i> MCF		2 837 067	2 037 420
Due to <i>Yull N°1</i> MCF		11 061 954	107 258
Due to <i>Senyo Maru</i> MCF		2 977 695	1 433 185
Due to <i>Sea Empress</i> MCF		23 502 285	-
TOTAL LIABILITIES		140 505 541	99 820 730
GENERAL FUND BALANCE	20	12 263 234	18 086 317
TOTAL LIABILITIES AND GENERAL FUND BALANCE		152 768 775	117 907 047

STATEMENT IX

CASH FLOW STATEMENT OF THE 1971 FUND
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 1997

	1997	1997	1996	1996
	£	£	£	£
Cash as at 1 January		115 793 967		91 016 695
OPERATING ACTIVITIES				
Initial contributions	55 084		15 535	
Previous year's contributions received	60 961 984		41 764 651	
Prior years' contributions received	2 218 580		1 240 358	
Recovery <i>Senyo Maru</i>	1 418 375		-	
1992 Fund income	124 128		4 225	
Interest received on overdue contributions	218 598		124 397	
Other sources of income	443 768		355 267	
Receipts from contributors	21 019		363 838	
Exchange adjustment	(405 164)		(44 026)	
Administrative expenditure (1971/1992 Funds)	(1 539 495)		(1 083 350)	
Claims expenditure	(38 795 242)		(22 997 471)	
Repayment to contributors	(8 601 141)		(1 673 412)	
Other cash payments	(341 225)		(10 000)	
Net cash from operating activities				
before net current asset changes	15 779 269		18 060 012	
Increase (Decrease) in net current liabilities	(130 618)		207 711	
Net cash flow from operating activities		15 648 651		18 267 723
RETURNS ON INVESTMENTS				
Interest on investments	8 296 133		6 509 549	
Net cash inflow from returns on investments		8 296 133		6 509 549
Cash as at 31 December		139 738 751		115 793 967

NOTES TO FINANCIAL STATEMENTS

1 Significant Accounting Policies

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

(a) Rules and procedures

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

(b) Basis of preparation

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

The financial period 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) Contingent liabilities

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

(e) Unliquidated obligations

Unliquidated obligations are expenditures based on firm obligations entered into but not liquidated in the financial period. In conformity 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.

(f) Income

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

Income from contributions is included only after the contributions are invoiced on the basis of figures on contributing oil receipts reported by Member States. Interest on overdue contributions is included only in the year in which the overdue annual contribution is actually paid.

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

(g) Investments

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

(h) Loans between funds

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

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

(i) 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 1 million Special Drawing Rights (SDRs) in respect of any one incident are charged to the General Fund in accordance with Financial Regulation 7.1(c)(i), and expenses over that amount in respect of any one incident are charged to the Major Claims Fund constituted for the incident in question in accordance with Financial Regulation 7.2(d).

Incidents in respect of which the 1971 Fund will or may incur expenses are reported in Schedule III.

(j) Translation of currencies

The majority of the 1971 Fund's assets and liabilities at the end of the 1997 financial period were held in Pounds Sterling. Gains and losses arising from foreign currency exchange transactions during the relevant accounting period are treated as normal items of operation.

For the translation of currencies, the rate applied is the rate of exchange for the Pound against various currencies on 31 December 1997 as published in the Financial Times. These rates are as follows:

Canadian Dollar	2.3546	=£1
Finnish Markka	8.9600	=£1
French Franc	9.8985	=£1
Greek Drachma	466.8020	=£1
Italian Lira	2,909.0600	=£1
Japanese Yen	213.9370	=£1
Moroccan Dirham	16.0266	=£1
Republic of Korea Won	2,788.8700	=£1
Singapore dollars	2.7724	=£1
Spanish Peseta	250.7840	=£1
US Dollar	1.6454	=£1
Venezuelan Bolivars	829.7500	=£1

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

2 Revised budget appropriations

Excess expenditure resulting in revised budget appropriations and met by budgetary transfers as provided in Financial Regulation 6.3 is notified to the Assembly in the Director's Comments on Financial Statement I. In 1997, £27,764 was transferred from Chapter VI (Unforeseen expenditure) to Chapter V (Miscellaneous expenditure). Of this, £17,194 was transferred to appropriation section V(c) (Consultants' fees) in respect of additional consultancy funds required for the study on Secretariat Working Methods. Authority to use funds from Chapter VI for this purpose was specifically given to the Director by the Assembly at its 20th Session (document 71FUND/A.20/30, paragraph 13.9). The remaining transfer of £10,570 to appropriation section V(d) (Payment to IMO for translator) was within the authority of Financial Regulation 6.3.

3 Adjustments to prior years' assessments

Contributions levied on the basis of reports on contributing oil receipts in previous years and on adjustments received on oil receipts for previous years are outlined below:

	State	Contributions levied	Total	Reason for levy
		£	£	
General Fund	Algeria	6,810		Oil reports received late
	Côte d'Ivoire	13,620		Oil reports received late
	Greece	(4,449)		Adjustment to oil reports
	Kenya	65,002		Oil reports received late
	Malaysia	48,374		Oil reports received late
	Nigeria	30,935		Oil reports received late
	Sweden	(833)		Adjustment to oil reports
	Venezuela	252,794		Oil reports received late
			412,253	
Haven Major Claims Fund	Nigeria	32,059		Oil reports received late
	Sweden	(1,801)		Adjustment to oil reports
			30,258	
Aegean Sea Major Claims Fund	Nigeria	51,291		Oil reports received late
	Sweden	(2,345)		Adjustment to oil reports
	Venezuela	214,060		Oil reports received late
			263,006	
		£	£	
Braer Major Claims Fund	Nigeria	36,036		Oil reports received late
	Venezuela	357,468		Oil reports received late
			393,504	
Keumdong N° 5 Major Claims Fund	Kenya	23,408		Oil reports received late
	Nigeria	10,066		Oil reports received late
	Venezuela	99,846		Oil reports received late
			133,320	

	State	Contributions levied	Total	Reason for levy
<i>Sea Prince</i> Major Claims Fund	Algeria	4,098		Oil reports received late
	Côte d'Ivoire	24,931		Oil reports received late
	Greece	(2,256)		Adjustment to oil reports
	Kenya	19,646		Oil reports received late
	Malaysia	119,701		Oil reports received late
	Nigeria	6,917		Oil reports received late
	Sweden	(707)		Adjustment to oil reports
	Venezuela	71,569		Oil reports received late
			243,899	
<i>Yeo Myung</i> Major Claims Fund	Algeria	745		Oil reports received late
	Côte d'Ivoire	4,533		Oil reports received late
	Greece	(410)		Adjustment to oil reports
	Kenya	3,572		Oil reports received late
	Malaysia	21,763		Oil reports received late
	Nigeria	1,258		Oil reports received late
	Sweden	(129)		Adjustment to oil reports
	Venezuela	13,013		Oil reports received late
			44,345	
<i>Yuil N°1</i> Major Claims Fund	Algeria	2,608		Oil reports received late
	Côte d'Ivoire	15,865		Oil reports received late
	Greece	(1,435)		Adjustment to oil reports
	Kenya	12,502		Oil reports received late
	Malaysia	76,172		Oil reports received late
	Nigeria	4,402		Oil reports received late
	Sweden	(450)		Adjustment to oil reports
	Venezuela	45,544		Oil reports received late
			155,208	
<i>Senyo Maru</i> Major Claims Fund	Algeria	1,118		Oil reports received late
	Côte d'Ivoire	6,799		Oil reports received late
	Greece	(615)		Adjustment to oil reports
	Kenya	5,358		Oil reports received late
	Malaysia	32,646		Oil reports received late
	Nigeria	1,886		Oil reports received late
	Sweden	(193)		Adjustment to oil reports
	Venezuela	19,519		Oil reports received late
			66,518	

4 Miscellaneous income

The figure of £5,571 is arrived at as follows.

	£
Savings on obligations unliquidated at 31 December	5,300
Disposal of office equipment	80
Honorarium for lecture at University of Southampton	191
	<u>5,571</u>

5 Interest on loan to *Vistabella* Major Claims Fund

The figure of £20,459 represents interest due in accordance with Financial Regulation 7.1(a)(v) on loans made to the *Vistabella* Major Claims Fund of £293,890 in 1994, of £5,312 made in 1995, of £1,151 in 1996 and of £17,789 in 1997. The account for this Major Claims Fund has not yet been opened.

6 Interest on overdue contributions

Interest is charged at 2% above the lowest London clearing bank base rate on unpaid annual contributions from the date on which payment is due, in accordance with Article 13.1 of the 1971 Fund Convention and Internal Regulation 3.10.

There is no provision in the 1971 Fund Convention for charging interest on overdue initial contributions.

7 Interest on investments

As at 31 December 1997 the 1971 Fund's portfolio of investments, comprising the 1971 Fund's time deposits (the General Fund and the *Haven*, *Aegean Sea*, *Braer*, *Keumdong N°5*, *Sea Prince*, *Yeo Myung*, *Yuil N°1*, *Senyo Maru* and *Sea Empress* Major Claims Funds) of £138,697,468, the Provident Fund's assets of £905,366 and the Contributors' Account of £135,917, was distributed as set out in Note 13.

Interest due in 1997 on the investments amounted to £8,296,133. This is distributed as follows:

	£
Provident Fund	73,599
General Fund	1,154,983
<i>Haven</i> Major Claims Fund	1,722,285
<i>Aegean Sea</i> Major Claims Fund	2,165,995
<i>Braer</i> Major Claims Fund	374,533
<i>Keumdong N°5</i> Major Claims Fund	424,834
<i>Sea Prince</i> Major Claims Fund	961,098
<i>Yeo Myung</i> Major Claims Fund	173,075
<i>Yuil N°1</i> Major Claims Fund	364,599
<i>Senyo Maru</i> Major Claims Fund	104,757
<i>Sea Empress</i> Major Claims Fund	757,303
Contributors' Account	19,072
	<u>8,296,133</u>

8 Obligations incurred

The figure of £1,067,942 represents the 1971 Fund's share of running the joint Secretariat.

In accordance with the 1971 and 1992 Fund Assemblies' decisions, the cost of running the joint Secretariat for the period 1 January 1997 - 31 December 1997 has been distributed with 70% to be paid by the 1971 Fund and 30% to be paid by the 1992 Fund (document 71 FUND/A/19/30, paragraph 23.1 and document 92FUND/A/ES.1/22, paragraph 16.1). The exceptions are the appropriation for meetings (Chapter III) which has been calculated on the basis of the expected duration of the Meetings of the 1971 and the 1992 Funds, Travel on mission (Chapter IV.b) and Consultants' fees (Chapter V.c) which have been split equally, and the appropriation for the External Auditor (Chapter V.a) which has been charged separately for each Fund.

9 Exchange adjustment

The figure of £405,164 represents a net loss from currency revaluations of French Francs held in London and Japanese Yen held in London and Tokyo as at 31 December 1997. There was a loss of £19,547 on FF1,590,747 and a loss of £385,617 on ¥3,228,089,663.

10 Interest on loan to the *Nakhodka* Major Claims Fund from the *Aegean Sea* Major Claims Fund

The figure of £158,724 represents interest due in accordance with Financial Regulation 7.2(b)(iii) on the outstanding loans made to the *Nakhodka* Major Claims Fund by the *Aegean Sea* Major Claims Fund in 1997. The account for the *Nakhodka* Major Claims Fund was opened on 1 September 1997, but the total amount of contributions received in respect of this Major Claims Fund during 1997 was exceeded by the expenditure incurred in 1997. At its 20th session in October 1997, the Assembly decided that a second levy of 1997 annual contributions should be made to the *Nakhodka* Major Claims Fund (document FUND/A.20/30, paragraph 26.6). The loans were repaid on 1 February 1998.

11 Provident Fund contributions

The rate of contribution for staff members is 7.9% of their respective pensionable remuneration and the rate of contribution for the 1971 Fund 15.8% of that remuneration, pursuant to Staff Rule VIII.5(b).

12 Interest received in 1997 on the Provident Fund

The basis of calculation of the interest of £73,599 on the Provident Fund is that laid down by the Executive Committee at its 2nd session (Record of Decisions, document FUND/EXC.2/6, item 6).

13 Assets(a) Cash at banks and in hand

The amount of £139,738,751 includes a balance of £905,366 on the Staff Provident Fund and a balance of £135,917 on the Contributors' Account, and was held in various accounts as follows:

<u>Time deposit accounts</u>	£	£
ABN-AMRO Bank NV		10,000,000
Bank of Scotland plc		5,000,000
Bankers Trust Company		10,000,000
Bayerische Vereinsbank AG		5,600,000
Banque Nationale de Paris		5,000,000
Banque Internationale à Luxembourg		9,500,000
Barclays Bank plc		1,500,000
BHF-Bank AG		10,000,000
Credito Italiano SpA		6,000,000
Creditanstalt Bankverein		2,000,000
DePfa Bank Europe plc		6,500,000
Fuji Bank Limited		1,500,000
Halifax plc		6,500,000
The Korean Development Bank, London Branch		1,500,000
Lloyds Bank plc		5,000,000
Nationwide Building Society		10,000,000
Norinchukin Bank		2,000,000
Sanwa Bank Ltd		6,000,000
Société Générale		4,048,047
Svenska Handelsbanken AB		5,200,000
Westdeutsche Landesbank GZ		<u>8,900,000</u>
		121,748,047

	£	£
<u>Current and call deposit accounts</u>		
Bank of Scotland plc- £ Current a/c	42,494	
Banque Nationale de Paris plc - FFr Call Deposit a/c	160,706	
Barclays Bank plc - £ Business Premium a/c / Current a/c	1,120,256	
Barclays Bank plc - £ Call Deposit a/c	1,500,000	
The Bank of Tokyo-Mitsubishi Ltd - £ Current a/c	77,819	
Mitsui Trust & Banking Co Ltd - ¥ Current a/c - Tokyo	19,762	
The Bank of Tokyo-Mitsubishi, Nakhodka Claim ¥ call Deposit - Tokyo/London	15,069,212	
Petty cash - balance of imprest a/c	<u>455</u>	
		<u>17,990,704</u>
		<u>139,738,751</u>

(b) Office machines, furniture and other supplies

As mentioned under the Significant Accounting Policies (Note 1, item (c)), office machines, furniture and other supplies are not shown as assets in the Balance Sheet. As at 31 December 1997 the purchase value of these supplies and equipment was as follows:

	£
Office machines	105,286
Furniture and other office equipment	67,030
Library	5,001
Hospitality cellar	<u>876</u>
	<u>178,193</u>

14 Contributions outstanding

Outstanding contributions due to the 1971 Fund as at 31 December 1997 totalled £2,610,543. This amount includes contributions due from two contributors in liquidation, one in the Netherlands and one on Germany. As regards the former representing the amount of £9,945, it is unlikely that there will be any payment to the 1971 Fund. Concerning the latter, where the amount due is £277,313, negotiations have been carried out and it is expected that a major part of that amount will be recovered.

15 Tax recoverable

The amount of £41,607 comprises VAT and Insurance Premium Tax to be refunded to the 1971 Fund by the United Kingdom Government.

16 Miscellaneous receivable

The amount of £14,259 consists mainly of the following amounts:

- (a) £8,063 paid to BUPA for 1997 subscriptions to the health insurance scheme, 50% of which will be reimbursed by the staff members and 50% from the 1998 Expenditure Account;
- (b) £3,159 representing salary advances to be reimbursed by staff members in 1998 under Staff Rule IV.12.

17 Accounts payable

The amount of £31,213 is comprised of the following amounts:

- (a) £14,045 representing the balance of accident insurance premium due but not paid till early 1998;
- (b) £11,232 due to American Express Europe Ltd;
- (c) £1,694 being outstanding National Insurance Contributions payable in January 1998;
- (d) £4,242 representing reimbursements for travel expenses due to staff members.

18 Unliquidated obligations

The figure of £143,222 is made up of obligations incurred in 1996 and 1997 but unliquidated at 31 December 1997.

The major part of the unliquidated obligations consists of:

- (a) £37,000 appropriated for separation costs;
- (b) £16,087 appropriated for the purchase of office equipment and furniture;
- (c) £35,000 for consultants' fees;
- (d) £43,674 to meet invoices from the International Maritime Organization (IMO) in respect of services provided.

19 Contributors' Account

The amount of £135,917 is the balance on the Contributors' Account after the deduction of amounts repaid to contributors or offset against the 1997 annual contributions and the addition of interest as provided in Internal Regulation 3.11.

20 General Fund balance

The figure of £12,263,234 represents the excess of Income over Expenditure in respect of the General Fund and is arrived at as follows:

	£
Net assets at 1 January 1997	18,086,317
Less: deficit 1997	<u>5,823,083</u>
	<u>12,263,234</u>

This figure represents the balance remaining after making a loan of £386,056 to a Major Claims Fund and a payment of £355,320 on behalf of the 1992 Fund which was made up as follows:

	£
1992 Fund share of administrative expenses	479,448
Less : 1992 Fund income held by the 1971 Fund	<u>124,128</u>
	<u>335,320</u>

The balance of £12,263,234 is higher than the working capital which, at 31 December 1997, was set at £10 million.

* * *

SCHEDULE I

**REPORT ON CONTRIBUTIONS DURING THE FINANCIAL PERIOD
1 JANUARY - 31 DECEMBER 1997
AND ON CONTRIBUTIONS OUTSTANDING FOR PREVIOUS FINANCIAL PERIODS**

1 Four States became Members of the 1971 Fund in 1997: Antigua and Barbuda, Colombia, Mozambique and New Zealand.

2 A comprehensive report on the payment of contributions as at 10 October 1997 was submitted to the Assembly at its 20th session (document 71FUND/A.20/9).

3 The report contained in this schedule is a comprehensive up-date of the earlier reports. The outstanding balances of contributions as at 31 December 1997 can be summarised as follows:

State	Initial	1989	1990	1991	1992	1993	1994	1995	1996	Total
Algeria							480.22	10 806.57	22 403.67	33 690.46
Bahamas								65 079.21	128 872.74	193 951.95
Cote d'Ivoire								63 844.73	24 248.82	88 093.55
Germany									298 037.69	298 037.69
Greece							3 876.57	11 682.79	12 651.73	28 211.09
Indonesia									63 104.69	63 104.69
Italy									323 380.47	323 380.47
Japan									79 395.08	79 395.08
Kenya	1 442.35					5 236.89	14 616.63	25 738.16	35 969.86	83 003.89
Kuwait						63 303.09	47 456.74			110 759.83
Malaysia	14 760.40							90 056.84	296 613.80	401 431.04
Malta	11.47			0.42		1 362.91	295.96	1 288.68	2 707.61	5 667.05
Morocco									39 006.93	39 006.93
Netherlands								9 693.94	21 639.63	31 333.57
Nigeria		2 033.79	475.84	32 090.03	13 672.28	65 429.54	28 693.02	28 553.09	29 447.30	200 394.89
Sweden									134 668.09	134 668.09
Syrian Arab Republic				477.72						477.72
United Kingdom							1 556.17	2 067.52	24.98	3 648.67
USSR				146 704.86						146 704.86
Venezuela									204 778.49	204 778.49
Yugoslavia				101 755.66	39 047.40					140 803.06
	16 214.22	2 033.79	475.84	281 028.69	52 719.68	135 332.43	96 975.31	308 811.53	1 716 951.58	2 610 543.07

ANNUAL CONTRIBUTIONS 1996 - REIMBURSEMENT FROM GENERAL FUND AS AT 31.12.97

State	Reimbursement £
<1> Albania	-
Algeria	2 285.78
<2> Antigua & Barbuda	-
Australia	123 541.44
Bahamas	14 946.26
<3> Bahrain	-
Barbados	753.89
Belgium	28 248.51
<1> Benin	-
<3> Brunei Darussalam	-
Cameroon	6 075.00
Canada	154 640.93
<4> China (Hong Kong Special Administrative Region)	-
<2> Colombia	-
Côte d'Ivoire	11 676.75
<1> Croatia	-
Cyprus	6 297.25
Denmark	27 822.10
<3> Djibouti	-
<3> Estonia	-
<3> Fiji	-
Finland	47 984.52
France	393 684.94
<1> Gabon	-
<3> Gambia	-
Germany	141 233.09
Ghana	4 001.64
Greece	76 260.35
<3> Iceland	-
India	166 986.03
Indonesia	42 030.10
Ireland	13 352.70
Italy	620 493.44
Japan	1 184 773.55
Kenya	7 402.65
<3> Kuwait	-
<3> Liberia	-
Malaysia	64 464.38
<3> Maldives	-
Malta	3 829.53
<3> Marshall Islands	-
<1> Mauritania	-
Mauritius	681.96
Mexico	51 306.50
<3> Monaco	-
Morocco	26 896.17
<2> Mozambique	-
Netherlands	415 233.29
<2> New Zealand	-
Nigeria	929.02

State	Reimbursement £
Norway	101 296.32
<3> Oman	-
<3> Papua New Guinea	-
Poland	21 247.45
Portugal	66 343.93
<3> Qatar	-
Republic of Korea	413 006.42
<5> Russian Federation	-
<1> Saint Kitts and Nevis	-
<1> Seychelles	-
<1> Sierra Leone	-
<3> Slovenia	-
Spain	244 653.55
Sri Lanka	7 893.11
Sweden	81 977.04
<3> Switzerland	-
<1> Syrian Arab Republic	-
<3> Tonga	-
Tunisia	11 355.89
<1> Tuvalu	-
<3> United Arab Emirates	-
United Kingdom	351 328.24
<3> Vanuatu	-
Venezuela	34 181.81
<3> Yugoslavia	-
Total	4 971 115.53

- <1> Reports on contributing oil receipts in 1995 not submitted by 31.12.97
- <2> Not a Member State in 1996
- <3> No liability in respect of 1996 General Fund
- <4> Amounts included in United Kingdom total, as reimbursement made whilst Hong Kong a dependent territory of the United Kingdom
- <5> Credit payable in 1998

**ANNUAL CONTRIBUTIONS 1996 -
SEA PRINCE/YEO MYUNG/YUIL N°1 MAJOR CLAIMS FUND AS AT 31.12.97**

State	1st levy £	Deferred levy £	Total levy £	Receipt £	Outstanding £	% Paid
<1> Albania	-	-	-	-	-	-
Algeria	4 713.68	3 985.52	8 699.20	0.00	8 699.20	0.00
<2> Antigua and Barbuda	-	-	-	-	-	-
Australia	308 244.89	260 627.63	568 872.52	568 872.52	0.00	100.00
Bahamas	87 223.82	73 749.60	160 973.42	92 670.16	68 303.26	57.57
<2> Bahrain	-	-	-	-	-	-
<3> Barbados	-	-	-	-	-	-
Belgium	81 503.51	68 912.95	150 416.46	150 416.46	0.00	100.00
<1> Benin	-	-	-	-	-	-
<3> Brunei Darussalam	-	-	-	-	-	-
Cameroon	12 637.09	10 684.93	23 322.02	23 322.02	0.00	100.00
Canada	357 557.06	302 322.11	659 879.17	659 879.17	0.00	100.00
<4> China (Hong Kong Special Administrative Region)	-	-	-	-	-	-
<2> Colombia	-	-	-	-	-	-
Côte d'Ivoire	28 679.13	24 248.82	52 927.95	28 679.13	24 248.82	54.19
Croatia	30 729.70	25 982.62	56 712.32	56 712.32	0.00	100.00
Cyprus	17 522.37	14 815.54	32 337.91	32 337.91	0.00	100.00
Denmark	62 032.67	52 449.94	114 482.61	114 482.61	0.00	100.00
<3> Djibouti	-	-	-	-	-	-
<3> Estonia	-	-	-	-	-	-
<3> Fiji	-	-	-	-	-	-
Finland	122 565.82	103 632.01	226 197.83	226 197.83	0.00	100.00
France	1 028 316.29	869 463.32	1 897 779.61	1 897 779.61	0.00	100.00
<1> Gabon	-	-	-	-	-	-
<3> Gambia	-	-	-	-	-	-
<5> Germany	372 565.37	315 011.95	687 577.32	661 335.48	26 241.84	96.18
Ghana	11 798.25	9 975.67	21 773.92	21 773.92	0.00	100.00
Greece	184 962.74	156 389.95	341 352.69	331 948.13	9 404.56	97.24
<3> Iceland	-	-	-	-	-	-
<6> India	-	-	-	-	-	-
Indonesia	107 071.98	90 531.64	197 603.62	197 603.62	0.00	100.00
Ireland	34 522.46	29 189.48	63 711.94	63 711.94	0.00	100.00
Italy	1 594 544.26	1 348 221.17	2 942 765.43	2 919 531.68	23 233.75	99.21
Japan	3 139 965.30	2 654 907.58	5 794 872.88	5 791 005.55	3 867.33	99.93
Kenya	22 599.77	19 108.59	41 708.36	20 989.34	20 719.02	50.32
<3> Kuwait	-	-	-	-	-	-
<3> Liberia	-	-	-	-	-	-
Malaysia	137 694.18	116 423.36	254 117.54	158 340.52	95 777.02	62.31
<3> Maldives	-	-	-	-	-	-
Malta	8 166.21	6 904.71	15 070.92	14 236.10	834.82	94.46
<3> Marshall Islands	-	-	-	-	-	-
<2> Mauritania	-	-	-	-	-	-
Mauritius	1 931.87	1 633.44	3 565.31	3 565.31	0.00	100.00
Mexico	223 970.62	189 371.93	413 342.55	413 342.55	0.00	100.00
<3> Monaco	-	-	-	-	-	-

State	1st levy £	Deferred levy £	Total levy £	Receipt £	Outstanding £	% Paid
Morocco	72 143.18	60 998.60	133 141.78	129 971.17	3 170.61	97.62
<2> Mozambique	-	-	-	-	-	-
<5> Netherlands	1 052 080.82	889 556.76	1 941 637.58	1 933 834.05	7 803.53	99.60
<2> New Zealand	-	-	-	-	-	-
Nigeria	7 956.83	6 727.67	14 684.50	0.00	14 684.50	0.00
Norway	325 822.08	275 489.52	601 311.60	601 311.60	0.00	100.00
<3> Oman	-	-	-	-	-	-
<3> Papua New Guinea	-	-	-	-	-	-
Poland	64 827.58	54 813.10	119 640.68	119 640.68	0.00	100.00
Portugal	168 151.57	142 175.73	310 327.30	310 327.30	0.00	100.00
<3> Qatar	-	-	-	-	-	-
Republic of Korea	997 091.88	843 062.44	1 840 154.32	1 840 154.32	0.00	100.00
<6> Russian Federation	-	-	-	-	-	-
<3> Saint Kitts and Nevis	-	-	-	-	-	-
<3> Seychelles	-	-	-	-	-	-
<1> Sierra Leone	-	-	-	-	-	-
Slovenia	1 798.76	1 520.89	3 319.65	3 319.65	0.00	100.00
Spain	589 360.32	498 316.70	1 087 677.02	1 087 677.02	0.00	100.00
Sri Lanka	20 680.14	17 485.50	38 165.64	38 165.64	0.00	100.00
Sweden	218 604.55	184 834.80	403 439.35	392 167.25	11 272.10	97.21
<2> Switzerland	-	-	-	-	-	-
<1> Syrian Arab Republic	-	-	-	-	-	-
<2> Tonga	-	-	-	-	-	-
Tunisia	31 454.23	26 595.23	58 049.46	58 049.46	0.00	100.00
<1> Tuvalu	-	-	-	-	-	-
<3> United Arab Emirates	-	-	-	-	-	-
United Kingdom	917 993.52	776 183.08	1 694 176.60	1 694 176.60	0.00	100.00
<3> Vanuatu	-	-	-	-	-	-
Venezuela	82 327.22	69 609.42	151 936.64	143 962.08	7 974.56	94.75
<3> Yugoslavia	-	-	-	-	-	-
Total	12 531 811.72	10 595 913.90	23 127 725.62	22 801 490.70	326 234.92	98.59

<1> Reports on contributing oil receipts in 1994 not submitted by 31.12.97

<2> Not a Member State at the time of the *Sea Prince/Yeo Myung/Yuil N°1* incidents (23.7.95/3.8.95/21.9.95)

<3> No liability for contributions to the *Sea Prince/Yeo Myung/Yuil N°1* Major Claims Fund

<4> Amounts included in United Kingdom total, as invoice issued whilst Hong Kong a dependent territory of the United Kingdom

<5> One contributor has gone bankrupt. Claim has been registered in bankruptcy proceedings

<6> Contributors invoiced late; amounts due in 1998

ANNUAL CONTRIBUTIONS 1996 - SEA EMPRESS MAJOR CLAIMS FUND AS AT 31.12.97

State	1st levy £	Deferred levy £	Total levy £	Receipt £	Outstanding £	% Paid
<1> Albania	-	-	-	-	-	-
Algeria	4 571.55	9 132.92	13 704.47	0.00	13 704.47	0.00
<2> Antigua and Barbuda	-	-	-	-	-	-
Australia	247 082.89	493 615.06	740 697.95	740 697.95	0.00	100.00
Bahamas	29 892.53	59 718.42	89 610.95	29 041.47	60 569.48	32.41
<2> Bahrain	-	-	-	-	-	-
Barbados	1 507.79	3 012.21	4 520.00	4 520.00	0.00	100.00
Belgium	56 497.01	112 868.09	169 365.10	169 365.10	0.00	100.00
<1> Benin	-	-	-	-	-	-
<3> Brunei Darussalam	-	-	-	-	-	-
Cameroon	12 149.99	24 272.90	36 422.89	36 422.89	0.00	100.00
Canada	309 281.87	617 874.38	927 156.25	927 156.25	0.00	100.00
<4> China (Hong Kong Special Administrative Region)	-	-	-	-	-	-
<2> Colombia	-	-	-	-	-	-
Côte d'Ivoire	23 353.51	46 654.97	70 008.48	70 008.48	0.00	100.00
<1> Croatia	-	-	-	-	-	-
Cyprus	12 594.49	25 160.91	37 755.40	37 755.40	0.00	100.00
Denmark	55 644.18	111 164.34	166 808.52	166 808.52	0.00	100.00
<3> Djibouti	-	-	-	-	-	-
<3> Estonia	-	-	-	-	-	-
<3> Fiji	-	-	-	-	-	-
Finland	95 969.04	191 724.17	287 693.21	287 693.21	0.00	100.00
France	787 369.85	1 572 984.77	2 360 354.62	2 360 354.62	0.00	100.00
<1> Gabon	-	-	-	-	-	-
<3> Gambia	-	-	-	-	-	-
<5> Germany	282 466.21	564 302.81	846 769.02	692 881.73	153 887.29	81.83
Ghana	8 003.28	15 988.72	23 992.00	23 992.00	0.00	100.00
Greece	152 520.71	304 701.44	457 222.15	453 974.98	3 247.17	99.29
<3> Iceland	-	-	-	-	-	-
India	333 972.07	667 199.74	1 001 171.81	1 001 171.81	0.00	100.00
Indonesia	84 060.19	167 933.02	251 993.21	251 993.21	0.00	100.00
Ireland	26 705.41	53 351.30	80 056.71	80 056.71	0.00	100.00
Italy	1 240 986.89	2 479 207.71	3 720 194.60	3 547 242.09	172 952.51	95.35
Japan	2 369 547.04	4 733 812.61	7 103 359.65	7 057 854.45	45 505.20	99.36
Kenya	14 805.28	29 577.55	44 382.83	34 639.71	9 743.12	78.05
<3> Kuwait	-	-	-	-	-	-
<3> Liberia	-	-	-	-	-	-
Malaysia	128 928.77	257 570.14	386 498.91	251 557.52	134 941.39	65.09
<3> Maldives	-	-	-	-	-	-
Malta	7 659.06	15 301.04	22 960.10	21 087.31	1 872.79	91.84
<3> Marshall Islands	-	-	-	-	-	-
<1> Mauritania	-	-	-	-	-	-
Mauritius	1 363.92	2 724.79	4 088.71	4 088.71	0.00	100.00
Mexico	102 613.00	204 997.28	307 610.28	307 610.28	0.00	100.00
<3> Monaco	-	-	-	-	-	-

State	1st levy £	Deferred levy £	Total levy £	Receipt £	Outstanding £	% Paid
Morocco	53 792.35	107 464.79	161 257.14	140 064.09	21 193.05	86.86
<2> Mozambique	-	-	-	-	-	-
Netherlands	830 466.57	1 659 082.10	2 489 548.67	2 489 548.67	0.00	100.00
<2> New Zealand	-	-	-	-	-	-
Nigeria	1 858.03	3 711.92	5 569.95	0.00	5 569.95	0.00
Norway	202 592.63	404 733.70	607 326.33	607 326.33	0.00	100.00
<3> Oman	-	-	-	-	-	-
<3> Papua New Guinea	-	-	-	-	-	-
Poland	42 494.90	84 895.09	127 389.99	127 389.99	0.00	100.00
Portugal	132 687.86	265 079.98	397 767.84	397 767.84	0.00	100.00
<3> Qatar	-	-	-	-	-	-
Republic of Korea	826 012.83	1 650 184.55	2 476 197.38	2 476 197.38	0.00	100.00
<6> Russian Federation	-	-	-	-	-	-
<1> Saint Kitts and Nevis	-	-	-	-	-	-
<1> Seychelles	-	-	-	-	-	-
<1> Sierra Leone	-	-	-	-	-	-
<3> Slovenia	-	-	-	-	-	-
Spain	489 307.11	977 523.61	1 466 830.72	1 466 830.72	0.00	100.00
Sri Lanka	15 786.21	31 537.24	47 323.45	47 323.45	0.00	100.00
Sweden	163 954.08	327 542.74	491 496.82	422 128.35	69 368.47	85.89
<2> Switzerland	-	-	-	-	-	-
<1> Syrian Arab Republic	-	-	-	-	-	-
<2> Tonga	-	-	-	-	-	-
Tunisia	22 711.76	45 372.91	68 084.67	68 084.67	0.00	100.00
<1> Tuvalu	-	-	-	-	-	-
<3> United Arab Emirates	-	-	-	-	-	-
United Kingdom	702 656.53	1 403 746.87	2 106 403.40	2 106 403.40	0.00	100.00
<3> Vanuatu	-	-	-	-	-	-
Venezuela	68 363.62	136 574.87	204 938.49	130 139.56	74 798.93	63.50
<3> Yugoslavia	-	-	-	-	-	-
Total	9 942 231.01	19 862 301.66	29 804 532.67	29 037 178.85	767 353.82	97.43

<1> Reports on contributing oil receipts in 1995 not submitted by 31.12.97

<2> Not a Member State at the time of the *Sea Empress* incident (15.2.96)

<3> No liability for contributions to the *Sea Empress* Major Claims Fund

<4> Amounts included in United Kingdom total, as invoice issued whilst Hong Kong a dependent territory of the United Kingdom

<5> One contributor has gone bankrupt. Claim has been registered in bankruptcy proceedings

<6> Contributor invoiced late; amount due in 1998

ANNUAL CONTRIBUTIONS 1996 - NAKHODKA MAJOR CLAIMS FUND AS AT 31.12.97

State	Assessment	Receipt £	Outstanding £	% Paid
<1> Albania	-	-	-	-
<2> Algeria	-	-	-	-
<3> Antigua and Barbuda	-	-	-	-
Australia	394 509.75	394 509.75	0.00	100.00
Bahamas	18 287.95	18 287.95	0.00	100.00
<4> Bahrain	-	-	-	-
Barbados	2 076.90	2 076.90	0.00	100.00
Belgium	85 559.89	85 559.89	0.00	100.00
<1> Benin	-	-	-	-
<4> Brunei Darussalam	-	-	-	-
<1> Cameroon	-	-	-	-
Canada	482 511.09	482 511.09	0.00	100.00
<5> China (Hong Kong Special Administrative Region)	-	-	-	-
<3> Colombia	-	-	-	-
Côte d'Ivoire	40 723.70	40 723.70	0.00	100.00
<1> Croatia	-	-	-	-
Cyprus	17 759.06	17 759.06	0.00	100.00
Denmark	83 406.91	83 406.91	0.00	100.00
<4> Djibouti	-	-	-	-
<4> Estonia	-	-	-	-
<1> Fiji	-	-	-	-
Finland	119 836.85	119 836.85	0.00	100.00
France	1 180 568.82	1 180 568.82	0.00	100.00
<1> Gabon	-	-	-	-
<4> Gambia	-	-	-	-
<6> Germany	448 383.00	330 474.44	117 908.56	73.70
Ghana	8 053.92	8 053.92	0.00	100.00
Greece	245 589.14	245 589.14	0.00	100.00
<4> Iceland	-	-	-	-
India	532 971.77	532 971.77	0.00	100.00
Indonesia	113 018.97	49 914.28	63 104.69	44.16
Ireland	38 166.72	38 166.72	0.00	100.00
Italy	1 766 661.30	1 639 467.09	127 194.21	92.80
Japan	3 372 600.35	3 342 577.80	30 022.55	99.11
Kenya	19 127.99	13 620.27	5 507.72	71.21
<4> Kuwait	-	-	-	-
<4> Liberia	-	-	-	-
Malaysia	200 345.03	134 449.64	65 895.39	67.11
<4> Maldives	-	-	-	-
<2> Malta	-	-	-	-
<4> Marshall Islands	-	-	-	-
<1> Mauritania	-	-	-	-
<4> Mauritius	-	-	-	-
Mexico	131 538.15	131 538.15	0.00	100.00
<4> Monaco	-	-	-	-
Morocco	65 042.93	50 399.66	14 643.27	77.49
<3> Mozambique	-	-	-	-

State	Assessment	Receipt £	Outstanding £	% Paid
Netherlands	1 262 039.01	1 248 202.91	13 836.10	98.90
<3> New Zealand	-	-	-	-
Nigeria	9 192.85	0.00	9 192.85	0.00
Norway	344 254.93	344 254.93	0.00	100.00
<4> Oman	-	-	-	-
<4> Papua New Guinea	-	-	-	-
<1> Poland	-	-	-	-
Portugal	157 810.98	157 810.98	0.00	100.00
<1> Qatar	-	-	-	-
Republic of Korea	1 387 640.79	1 387 640.79	0.00	100.00
<2> Russian Federation	-	-	-	-
<1> Saint Kitts and Nevis	-	-	-	-
<1> Seychelles	-	-	-	-
<1> Sierra Leone	-	-	-	-
<4> Slovenia	-	-	-	-
Spain	685 209.66	685 209.66	0.00	100.00
Sri Lanka	24 104.05	24 104.05	0.00	100.00
Sweden	264 021.74	209 994.22	54 027.52	79.54
<4> Switzerland	-	-	-	-
<1> Syrian Arab Republic	-	-	-	-
<4> Tonga	-	-	-	-
Tunisia	31 089.96	31 089.96	0.00	100.00
<1> Tuvalu	-	-	-	-
<1> United Arab Emirates	-	-	-	-
United Kingdom	980 371.16	980 346.18	24.98	100.00
<4> Vanuatu	-	-	-	-
Venezuela	205 317.35	83 312.35	122 005.00	40.58
<1> Yugoslavia	-	-	-	-
Total	14 717 792.67	14 094 429.83	623 362.84	95.76

<1> Reports on contributing oil receipts in 1996 not submitted by 31.12.97

<2> Contributor(s) invoiced late; amount(s) due in 1998

<3> Not a Member State at the time of the *Nakhodka* incident (2.1.97)

<4> No liability for contributions to the *Nakhodka* Major Claims Fund

<5> Amounts included in United Kingdom total, as invoice issued whilst Hong Kong a dependent territory of the United Kingdom

<6> One contributor has gone bankrupt. Claim has been registered in bankruptcy proceedings

**ANNUAL CONTRIBUTIONS OUTSTANDING FOR
PREVIOUS FINANCIAL PERIODS AS AT 31 DECEMBER 1997**

General Fund and Major Claims Funds

State	Assessment £	Receipt £	Outstanding £
Algeria (1995)	2 238.64	0.00	2 238.64
Algeria (<i>Toyotaka Maru</i>)	3 970.50	3 490.28	480.22
Algeria (<i>Sea Prince/Yeo Myung/Yuil N°1</i> , 1995)	7 450.37	0.00	7 450.37
Algeria (<i>Senyo Maru</i>)	1 117.56	0.00	1 117.56
Bahamas (1995)	41 424.70	25 175.37	16 249.33
Bahamas (<i>Sea Prince/Yeo Myung/Yuil N°1</i> , 1995)	137 864.50	89 034.62	48 829.88
Côte d'Ivoire (1995)	13 620.41	1 904.89	11 715.52
Côte d'Ivoire (<i>Sea Prince/Yeo Myung/Yuil N°1</i> , 1995)	45 329.75	0.00	45 329.75
Côte d'Ivoire (<i>Senyo Maru</i>)	6 799.46	0.00	6 799.46
Greece (1994)	88 923.58	86 660.73	2 262.85
Greece (1995)	87 843.28	85 423.12	2 420.16
Greece (<i>Toyotaka Maru</i>)	132 324.25	130 710.53	1 613.72
Greece (<i>Sea Prince/Yeo Myung/Yuil N°1</i> , 1995)	292 348.99	284 294.53	8 054.46
Greece (<i>Senyo Maru</i>)	43 852.34	42 644.17	1 208.17
Kenya (1993)	10 145.51	7 238.74	2 906.77
Kenya (1994)	11 473.61	6 243.71	5 229.90
Kenya (1995)	10 733.18	5 401.37	5 331.81
Kenya (<i>Taiko Maru</i>)	15 576.40	15 477.67	98.73
Kenya (<i>Keumdong N°5</i> , 1993)	7 788.19	5 556.80	2 231.39
Kenya (<i>Keumdong N°5</i> , 1994)	15 593.07	11 117.79	4 475.28
Kenya (<i>Toyotaka Maru</i>)	17 073.51	12 162.06	4 911.45
Kenya (<i>Sea Prince/Yeo Myung/Yuil N°1</i> , 1995)	35 720.82	17 976.17	17 744.65
Kenya (<i>Senyo Maru</i>)	5 358.14	2 696.44	2 661.70
Kuwait (<i>Aegean Sea</i> , 1993)	63 303.09	0.00	63 303.09
Kuwait (<i>Aegean Sea</i> , 1994)	47 456.74	0.00	47 456.74
Malta (1991)	42.52	42.10	0.42
Malta (1993)	4 447.24	4 257.45	189.79
Malta (1994)	2 338.52	2 311.17	27.35
Malta (1995)	3 878.33	3 663.50	214.83
Malta (<i>Aegean Sea</i> , 1993)	10 689.27	10 644.54	44.73
Malta (<i>Braer</i> , 1993)	20 979.38	20 084.09	895.29
Malta (<i>Braer</i> , 1995)	8 409.33	8 050.46	358.87
Malta (<i>Taiko Maru</i>)	5 462.26	5 229.16	233.10
Malta (<i>Keumdong N°5</i> , 1994)	5 477.57	5 243.82	233.75
Malta (<i>Toyotaka Maru</i>)	3 479.87	3 445.01	34.86
Malta (<i>Sea Prince/Yeo Myung/Yuil N°1</i> , 1995)	12 907.39	12 192.41	714.98
Malaysia (1995)	48 373.85	30 141.72	18 232.13
Malaysia (<i>Sea Prince/Yeo Myung/Yuil N°1</i> , 1995)	217 637.10	145 812.39	71 824.71
<1> Netherlands (1995)	499 658.62	497 650.46	2 008.16
<1> Netherlands (<i>Sea Prince/Yeo Myung/Yuil N°1</i> , 1995)	1 662 901.20	1 656 217.91	6 683.29
<1> Netherlands (<i>Senyo Maru</i>)	249 435.18	248 432.69	1 002.49
Nigeria (1989)	2 033.79	0.00	2 033.79
Nigeria (1990)	475.84	0.00	475.84
Nigeria (1991)	6 437.67	0.00	6 437.67
Nigeria (1993)	5 453.09	0.00	5 453.09
Nigeria (1995)	3 778.89	0.00	3 778.89
Nigeria (<i>Haven</i> , 1991)	19 313.01	0.00	19 313.01
Nigeria (<i>Haven</i> , 1992)	12 745.92	0.00	12 745.92
Nigeria (<i>Rio Orinoco</i>)	6 339.35	0.00	6 339.35
Nigeria (<i>Volgoneft 263</i>)	926.36	0.00	926.36
Nigeria (<i>Braer</i> , 1993)	25 724.40	0.00	25 724.40

State	Assessment £	Receipt £	Outstanding £
Nigeria (<i>Braer</i> , 1995)	10 311.31	0.00	10 311.31
Nigeria (<i>Aegean Sea</i> , 1993)	29 314.79	0.00	29 314.79
Nigeria (<i>Aegean Sea</i> , 1994)	21 976.56	0.00	21 976.56
Nigeria (<i>Taiko Maru</i>)	1 588.41	0.00	1 588.41
Nigeria (<i>Keumdong N°5</i> , 1993)	3 348.85	0.00	3 348.85
Nigeria (<i>Keumdong N°5</i> , 1994)	6 716.46	0.00	6 716.46
Nigeria (<i>Sea Prince/Yeo Myung/Yuil N°1</i> , 1995)	12 576.43	0.00	12 576.43
Nigeria (<i>Senyo Maru</i>)	1 886.46	0.00	1 886.46
Syrian Arab Republic (<i>Rio Orinoco</i>)	3 120.74	2 643.02	477.72
United Kingdom (<i>Keumdong N°5</i> , 1994)	30 655.07	29 098.90	1 556.17
United Kingdom (<i>Braer</i> , 1995)	47 062.55	44 995.03	2 067.52
Union of Soviet Socialist Republics (1991)	48 799.35	41 094.20	7 705.15
Union of Soviet Socialist Republics (<i>Rio Orinoco</i>)	85 649.43	28 385.38	57 264.05
Union of Soviet Socialist Republics (<i>Haven</i> , 1991)	146 398.02	64 662.36	81 735.66
Yugoslavia (1991)	48 038.06	30 933.84	17 104.22
Yugoslavia (<i>Rio Orinoco</i>)	64 590.16	30 111.52	34 478.64
Yugoslavia (<i>Haven</i> , 1991)	144 114.17	93 941.37	50 172.80
Yugoslavia (<i>Haven</i> , 1992)	35 361.82	0.00	35 361.82
Yugoslavia (<i>Volgoneft 263</i>)	3 685.58	0.00	3 685.58
Total	4 729 870.76	3 852 493.49	877 377.27

<1> One contributor has gone bankrupt. Claim has been registered in bankruptcy proceedings

Annual contributions not yet assessed due to non-submission of reports on contributing oil receipts for relevant year as at 31 December 1997

Albania	General Fund	(1994, 1995)
	Major Claims Funds	(<i>Toyotaka Maru</i> , <i>Sea Prince/Yeo Myung/Yuil N°1</i> (1995), <i>Senyo Maru</i>)
Benin	General Fund	(1993, 1994, 1995)
	Major Claims Funds	(<i>Aegean Sea</i> (1993 & 1994), <i>Braer</i> (1993, 1995), <i>Taiko Maru</i> , <i>Keumdong N°5</i> (1993 & 1994), <i>Toyotaka Maru</i> , <i>Sea Prince/Yeo Myung/Yuil N°1</i> (1995), <i>Senyo Maru</i>)
Gabon	General Fund	(1989, 1990, 1991, 1993, 1994, 1995)
	Major Claims Funds	(<i>Rio Orinoco</i> , <i>Volgoneft 263</i> , <i>Haven</i> (1991 & 1992), <i>Aegean Sea</i> (1993 & 1994), <i>Braer</i> (1993, 1995), <i>Taiko Maru</i> , <i>Keumdong N°5</i> (1993 & 1994), <i>Toyotaka Maru</i> , <i>Sea Prince/Yeo Myung/Yuil N°1</i> (1995), <i>Senyo Maru</i>)
Nigeria	General Fund	(1987)
Saint Kitts and Nevis	General Fund	(1994)
Seychelles	General Fund	(1993)
	Major Claims Funds	(<i>Braer</i> (1993, 1995), <i>Taiko Maru</i> , <i>Keumdong N°5</i> (1993 & 1994)
Sierra Leone	General Fund	(1993, 1994, 1995)
	Major Claims Funds	(<i>Toyotaka Maru</i> , <i>Sea Prince/Yeo Myung/Yuil N°1</i> (1995), <i>Senyo Maru</i>)
Syrian Arab Republic	General Fund	(1991, 1993, 1994, 1995)
	Major Claims Funds	(<i>Haven</i> (1991 & 1992), <i>Aegean Sea</i> (1993 & 1994), <i>Braer</i> (1993, 1995), <i>Taiko Maru</i> , <i>Keumdong N°5</i> (1993 & 1994), <i>Toyotaka Maru</i> , <i>Sea Prince/Yeo Myung/Yuil N°1</i> (1995), <i>Senyo Maru</i>)
Tuvalu	General Fund	(1994, 1995)
	Major Claims Funds	(<i>Toyotaka Maru</i> , <i>Sea Prince/Yeo Myung/Yuil N°1</i> (1995), <i>Senyo Maru</i>)
Yugoslavia	Major Claims Funds	(<i>Aegean Sea</i> (1993 & 1994))

INITIAL CONTRIBUTIONS AS AT 31 DECEMBER 1997

State	Assessment £	Receipt £	Outstanding £	% Paid
Assessed in 1996:				
Malta	1 162.04	1 150.57	11.47	99.01
Sub total	1 162.04	1 150.57	11.47	99.01
Assessed in 1997:				
<1> Bahrain	-	-	-	-
<1> Gambia	-	-	-	-
Kenya	5 034.23	3 591.88	1 442.35	71.35
Malaysia	39 162.60	24 402.20	14 760.40	62.31
New Zealand	11 801.79	11 801.79	0.00	100.00
<1> Tonga	-	-	-	-
Venezuela	14 137.60	14 137.60	0.00	100.00
Sub total	70 136.22	53 933.47	16 202.75	76.90
Total	71 298.26	55 084.04	16 214.22	77.26

<1> No liability for initial contributions

Initial contributions not yet assessed due to non-submission by 31.12.97 of reports on contributing oil receipts for relevant year

Albania	(1994)
Antigua and Barbuda	(1997)
Colombia	(1997)
Mauritania	(1996)
Mozambique	(1997)
Nigeria	(1987)
Saint Kitts and Nevis	(1994)
Sierra Leone	(1993)

SCHEDULE II

**REPORT ON PAYMENT OF CLAIMS FOR THE FINANCIAL
PERIOD 1 JANUARY – 31 DECEMBER 1997**

1 Financial Regulation 4.6 requires the Director to maintain a running record of all expenses incurred by the 1971 Fund in respect of each incident giving rise to claims against the Fund.

2 Expenditure incurred by the 1971 Fund during 1997 in respect of various incidents amounted to £38,974,425. This amount is made up as follows:

	£
General Fund	1,308,015
<i>Vistabella</i> Major Claims Fund	38,248
<i>Haven</i> Major Claims Fund	526,885
<i>Aegean Sea</i> Major Claims Fund	300,462
<i>Braer</i> Major Claims Fund	253,392
<i>Keumdong N°5</i> Major Claims Fund	57,507
<i>Sea Prince</i> Major Claims Fund	4,558,019
<i>Yeo Myung</i> Major Claims Fund	382,463
<i>Yuil N°1</i> Major Claims Fund	169,291
<i>Senyo Maru</i> Major Claims Fund	45,572
<i>Sea Empress</i> Major Claims Fund	7,016,128
<i>Nakhodka</i> Major Claims Fund	<u>24,318,443</u>
	<u>38,974,425</u>

3 The amount of £1,308,015 relating to the General Fund is inclusive of the first 1 million SDR in respect of the *Nakhodka* Major Claims Fund (£845,655).

4 With regard to the *Vistabella* incident, there was an increase of £17,789 in the loans taken from the General Fund, pending the receipt of funds when contributions will be received in respect of the *Vistabella* Major Claims Fund. The interest charged on the loan of £318,141 amounted to £20,459.

5 In respect of the *Nakhodka* incident, the sum of £845,655, being the first 1 million SDR, was paid from the General Fund. An amount of £14,314,502 in excess of 1 million SDR was paid from contributions received on 1 September 1997 in respect of the *Nakhodka* Major Claims Fund and the balance of £9,845,217 was paid from loans taken from the *Aegean Sea* Major Claims Fund, pending further receipts of contributions levied in respect of the *Nakhodka* Major Claims Fund by the Assembly at its 20th session (document FUND/A.20/30, paragraph 26.6). The interest charged on the loans in 1997 amounted to £158,724.

6 In general, the position as at 31 December 1997 was as follows:

Incident	Year	Compensation/ Indemnification £	Fees and related costs £	Other costs £	Total £
1 Irving Whale	1997	-	-	66	66
	Total to date	-	-	66	66
2 Vistabella	1997	-	17 789	20 459	38 248
	1996	-	1 151	18 618	19 769
	1995	-	5 018	20 541	25 559
	1994	986 948	4 451	11 407	1 002 806
	1993	-	5 025	-	5 025
	1992	4 509	-	33	4 542
	1991	11 055	8 448	13 696	33 199
	Total to date	1 002 512	41 882	84 754	1 129 148
3 Haven	1997	-	523 655	3 230	526 885
	1996	2 048 108	662 958	3 286	2 714 352
	1995	-	766 379	11 607	777 986
	1994	-	656 932	7 269	664 201
	1993	-	726 190	39 064	765 254
	1992	-	582 917	43 964	626 881
	1991	-	221 927	64 838	286 765
	Total to date	2 048 108	4 140 958	173 258	6 362 324
4 Aegean Sea	1997	-	297 031	3 431	300 462
	1996	356 613	698 706	7 549	1 062 868
	1995	2 028 253	524 630	17 184	2 570 067
	1994	1 741 542	436 190	7 487	2 185 219
	1993	-	170 819	13 054	183 873
	1992	-	-	2 259	2 259
	Total to date	4 126 408	2 127 376	50 964	6 304 748
5 Braer	1997	-	241 379	12 013	253 392
	1996	(1 454)	570 150	71 043	639 739
	1995	6 461 809	625 796	335 103	7 422 708
	1994	20 451 175	1 119 505	73 345	21 644 025
	1993	13 732 446	650 584	259 796	14 642 826
	Total to date	40 643 976	3 207 414	751 300	44 602 690
6 Kihnu	1997	65 093	5 453	2 619	73 165
	1996	-	7 503	30	7 533
	Total to date	65 093	12 956	2 649	80 698

Incident	Year	Compensation/ Indemnification £	Fees and related costs £	Other costs £	Total £
7 Keumdong N°5	1997	-	57 437	70	57 507
	1996	5 639 236	133 907	179	5 773 322
	1995	-	208 789	350	209 139
	1994	3 016 459	435 779	16 695	3 468 933
	1993	1 000 667	8 507	291	1 009 465
	Total to date	9 656 362	844 419	17 585	10 518 366
8 Iliad	1997	-	-	-	-
	1996	-	-	-	-
	1995	-	-	-	-
	1994	-	-	125	125
	Total to date	-	-	125	125
9 Seki	1997	-	18 928	84	19 012
	1996	-	30 228	18	30 246
	1995	-	-	6 607	6 607
	Total to date	-	49 156	6 709	55 865
10 Dae Woong	1997	-	-	-	-
	1996	35 646	1 209	16	36 871
	1995	-	1 433	7	1 440
	Total to date	35 646	2 642	23	38 311
11 Sea Prince	1997	4 315 189	237 500	5 330	4 558 019
	1996	2 000 000	180 244	230	2 180 474
	1995	-	128 348	67	128 415
	Total to date	6 315 189	546 092	5 627	6 866 908
12 Yeo Myung	1997	317 850	64 557	56	382 463
	1996	432 863	154 689	69	587 621
	1995	87 902	463	71	88 436
	Total to date	838 615	219 709	196	1 058 520
13 Shinryu Maru N°8	1997	-	-	-	-
	1996	31 129	5 017	85	36 231
	Total to date	31 129	5 017	85	36 231
14 Senyo Maru	1997	26 184	19 337	51	45 572
	1996	2 246 934	273 821	2 412	2 523 167
	Total to date	2 273 118	293 158	2 463	2 568 739
15 Yuil N°1	1997	41 846	125 840	1 605	169 291
	1996	5 959 273	313 035	8 592	6 280 900
	1995	1 354 804	-	642	1 355 446
	Total to date	7 355 923	438 875	10 839	7 805 637

Incident	Year	Compensation/ Indemnification £	Fees and related costs £	Other costs £	Total £
16 <i>Honam Sapphire</i>	1997	-	11 780	35	11 815
	1996	-	9 594	156	9 750
	Total to date	-	21 374	191	21 565
17 <i>Sea Empress</i>	1997	6 045 226	952 762	18 140	7 016 128
	1996	-	995 505	15 133	1 010 638
	Total to date	6 045 226	1 948 267	33 273	8 026 766
18 <i>Kugenuma Maru</i>	1997	5 435	394	35	5 864
	Total to date	5 435	394	35	5 864
19 <i>N°1 Jung Yung</i>	1997	-	25 554	64	25 618
	1996	-	3 412	3	3 415
	Total to date	-	28 966	67	29 033
20 <i>Nakhodka</i>	1997	22 583 161	2 391 532	189 405	25 164 098
	Total to date	22 583 161	2 391 532	189 405	25 164 098
21 <i>Nissos Amorgos</i>	1997	-	147 391	2 897	150 288
	Total to date	-	147 391	2 897	150 288
22 <i>Jeong Jin N°101</i>	1997	-	42 450	59	42 509
	Total to date	-	42 450	59	42 509
23 <i>Osung N°3</i>	1997	-	116 365	4 121	120 486
	Total to date	-	116 365	4 121	120 486
24 <i>Plate Princess</i>	1997	-	12 650	145	12 795
	Total to date	-	12 650	145	12 795
25 <i>Katja</i>	1997	-	-	729	729
	Total to date	-	-	729	729

SCHEDULE III

**DETAILS OF CONTINGENT LIABILITIES OF THE 1971 FUND
AS AT 31 DECEMBER 1997**

1 There are contingent liabilities of the 1971 Fund estimated at £390 555 000 with regard to 28 incidents as at 31 December 1997.

2 Details of the contingent liabilities, given in rounded figures, are as set out overleaf.

3 Out of these contingent liabilities, a total of £9 950 000 has been liquidated as at 30 June 1998. This amount relates mainly to the payment of compensation in respect of the *Aegean Sea*, *Sea Prince*, *Yeo Myung*, *Sea Empress*, *Nakhodka* and *Jeong Jin* incidents, and to the payment of fees in respect of the *Haven*, *Aegean Sea*, *Braer*, *Keumdong N°5*, *Sea Prince*, *Yuil N°1*, *Honam Sapphire*, *Sea Empress*, *Nakhodka*, *Nissos Amorgos* and *Osung N°3* incidents.

4 The assessment of contingent liabilities in respect of the *Haven* incident presents a special problem.

As a result of the *Haven* incident, claims which at 31 December 1997 totalled Lit 1 648 435 million (£567 million) plus FF79 872 311 (£8.1 million) had been submitted to the Court of first instance in Genoa (Italy). In addition, there were non-quantified claims relating to damage to the marine environment.

The 1971 Fund's position is that the maximum amount of 900 million (gold) francs payable under Article 4.4 of the 1971 Fund Convention (including any amount paid by the shipowner under the 1969 Civil Liability Convention) should be converted into national currency on the basis of 15 (gold) francs equalling one Special Drawing Right (SDR) of the International Monetary Fund.

In 1992, a judge of the Court of first instance in Genoa in charge of the limitation proceedings rendered a decision according to which the maximum amount payable by the 1971 Fund should be calculated by the application of the free market value of gold, giving an amount of Lit 771 397 947 400 (approximately £265 million), instead of Lit 102 643 800 000 (approximately £35 million) as maintained by the 1971 Fund, calculated on the basis of the SDR.

This decision was upheld by the Court of first instance and by the Court of Appeal in Genoa. The 1971 Fund has appealed against the Court of Appeal's judgement to the Supreme Court of Cassation.

In October 1994, at its 40th session, the Executive Committee took the view that the majority of the claims arising out of the *Haven* incident were time-barred vis-à-vis the 1971 Fund on or shortly after 11 April 1994, in the light of the provisions of Article VIII of the 1969 Civil Liability Convention and Article 6.1 of the 1971 Fund Convention. Being convinced of the legal validity of the 1971 Fund's position in respect of the time-bar issue, the Executive Committee, nevertheless, recognised that the on-going legal proceedings in Italy gave rise to some uncertainty as regards the final outcome of this issue. For this reason, and conscious of the desirability of victims of pollution damage being compensated, the Committee instructed the Director to enter into negotiations with all the parties concerned for the purpose of arriving at a global solution of all outstanding claims and issues. The Committee emphasised that any such solution must respect *inter alia* the following conditions:

- (i) the maximum amount payable under the 1969 Civil Liability Convention and the 1971 Fund Convention was 60 million SDR;

Incident	Date	Compensation £	Indemnification £	Other Costs £	Total Contingent Liability £
1 <i>Irving Whale</i>	7.9.70	17 818 000	50 000	400 000	18 268 000
2 <i>Vistabella</i>	7.3.91	0	0	40 000	40 000
3 <i>Haven</i>	11.4.91	25 003 000	3 333 000	1 000 000	29 336 000
4 <i>Aegean Sea</i>	3.12.92	28 915 000	1 118 000	700 000	30 733 000
5 <i>Braer</i>	5.1.93	5 082 000	1 212 000	700 000	6 994 000
6 <i>Keumdong N°5</i>	27.9.93	8 235 000	7 000	200 000	8 442 000
7 <i>Iliad</i>	9.10.93	4 185 000	802 000	200 000	5 187 000
8 <i>Seki</i>	30.3.94	0	0	20 000	20 000
9 Spill from unknown source in Morocco	30.11.94	162 000	0	50 000	212 000
10 <i>Dae Woong</i>	27.6.95	2 001 000	0	200 000	2 201 000
11 <i>Sea Prince</i>	23.7.95	31 214 000	4 624 000	800 000	36 638 000
12 <i>Yeo Myung</i>	3.8.95	1 286 000	2 000	200 000	1 488 000
13 <i>Yuil N°1</i>	21.9.95	41 423 000	43 000	600 000	42 066 000
14 <i>Honam Sapphire</i>	17.11.95	13 678 000	4 624 000	200 000	18 502 000
15 <i>Sea Empress</i>	15.2.96	35 706 000	1 787 000	500 000	37 993 000
16 <i>Kriti Sea</i>	9.8.96	6 982 000	1 200 000	100 000	8 282 000
17 <i>N°1 Yung Jung</i>	15.8.96	259 000	16 000	200 000	475 000
18 <i>Nakhodka</i>	2.1.97	25 073 000	322 000	2 300 000	27 695 000
19 <i>Tsubame Maru N°31</i>	25.1.97	28 000	3 000	5 000	36 000
20 <i>Nissos Amorgos</i>	28.2.97	44 673 000	1 062 000	400 000	46 135 000
21 <i>Daiwa Maru N°18</i>	27.3.97	68 000	4 000	3 000	75 000
22 <i>Jeong Jin N°101</i>	1.4.97	115 000	22 000	100 000	237 000
23 <i>Osung N°3</i>	3.4.97	48 866 000	22 000	1 000 000	49 888 000
24 <i>Plate Princess</i>	27.5.97	15 296 000	735 000	100 000	16 131 000
25 <i>Diamond Grace</i>	2.7.97	732 000	0	200 000	932 000
26 <i>Katja</i>	7.8.97	0	78 000	50 000	128 000
27 <i>Evoikos</i>	15.10.97	100 000	1 612 000	200 000	1 912 000
28 <i>Kyungnam N°1</i>	7.11.97	304 000	5 000	200 000	509 000
TOTAL		357 204 000	22 683 000	10 668 000	390 555 000

- (ii) claims could only be admissible if a claimant had suffered a quantifiable economic loss and claims for damage to the marine environment per se were not admissible.

At its 43rd session, held in June 1995, the Executive Committee instructed the Director to continue the negotiations with the claimants and authorised the Director to agree, on behalf of the 1971 Fund, to a global settlement within the framework of the amount of some Lit 137 000 million (£47 million) being made available to victims, subject to certain terms and conditions.

At the 19th session of the Assembly held in October 1996, the Assembly instructed the Director to explore, with the Italian Government and the shipowner and his P & I insurer (the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Ltd (UK Club)), the possibility of arriving at a global settlement which, as regards the 1971 Fund, fell within the maximum amount of compensation available, ie the difference between 60 million SDR and 14 million SDR, minus the amounts which the 1971 Fund had paid or might have to pay to other claimants.

In 1996, the judge in charge of the limitation proceedings in the Court of first instance in Genoa rendered a decision in which he determined the admissible claims for compensation. The judge admitted claims totalling approximately Lit 186 000 million (£64 million), plus interest and compensation for devaluation. The 1971 Fund has lodged opposition to this decision in respect of a number of issues, in particular in respect of the judge's admission of the Italian Government's claim for environmental damage for an amount of Lit 40 000 million (£14 million) and in respect of the time-bar issue.

By the end of 1997 the shipowner/UK Club had settled and paid all claims covered by the judge's decision, except that of the State of Italy. Agreements on quantum had been reached by the 1971 Fund with the French Government and all other French public bodies and with the Principality of Monaco.

In February 1998, the Italian Government submitted a Bill to Parliament which, if adopted, would enable the Government to conclude an agreement for a global settlement fulfilling the conditions laid down by the Assembly and the Executive Committee. The Bill was approved by Parliament in July 1998. The proposed settlement will also have to be approved by the Court of Accounts (Corte del Conte).

If a global settlement of all outstanding issues were to be reached along the lines set out by the Assembly and the Executive Committee, the 1971 Fund's involvement would be as set out below.

		Lit
Total available under 1969/1971 Conventions (60 million SDR), converted using rate applicable on date shipowner's limitation fund established		102 643 800 000
<u>Less</u>	Shipowner's limitation fund (14 million SDR)	<u>- 23 950 220 000</u>
		78 693 580 000
<u>Less</u>	Payments by 1971 Fund to two Italian contractors	<u>- 1 582 341 690</u>
		77 111 238 310
<u>Less</u>	Payments by 1971 Fund to French public bodies other than the French State (FFr10 659 469), converted using rate applicable on date of purchase of French Francs (28.3.96): FFr1 = Lit 311.60	<u>- 3 321 490 540</u>
		73 789 747 770
<u>Less</u>	Payments by 1971 Fund	
	- To French State	FFr12 580 724
	- To Principality of Monaco	<u>270 035</u>
		<1>FFr12 850 759
		<u>- 4 369 258 060</u>
Balance to be paid by 1971 Fund to Italian State in the context of a possible global settlement		69 420 489 710

<1> Estimate of the cost in Italian Lire of purchasing FFr12 850 759, based on cross rate of 31 December 1997, ie Lit 340 = FFr1. Consequently, the final figure may differ from the estimated figure.

In April 1998, an agreement was reached between the shipowner/UK Club and the 1971 Fund that the Fund should, as part of a global settlement, pay £2.5 million in indemnification under Article 5.1 of the 1971 Fund Convention.

5 Concerning the *Aegean Sea* incident, claims totalling £99 million have been presented to the Spanish Criminal Court of first instance. A number of claimants have indicated that they will present claims at a later stage in civil proceedings, for a total of £107 million. Claims have been paid for a total of Pts 1 617 million (£8.2 million), out of which the 1971 Fund has paid Pts 835 million (£4.2 million) and the shipowner's P & I insurer Pts 782 million (£4.0 million). In a judgement rendered in 1996 the Criminal Court considered that in respect of most of the claims there was not sufficient evidence for it to assess the quantum of the damage suffered and, for this reason, referred most of the claims to the procedure for the execution of the judgement. The total of the claims which the Court found substantiated by acceptable evidence was £3.8 million. Appeals were lodged against the judgement by a number of parties, including the 1971 Fund. In a judgement rendered in June 1998, the Court of Appeal in the main upheld the Criminal Court's judgement.

6 With regard to the *Braer* incident, as at 31 December 1997 claims had been approved, wholly or partly, for a total amount of £50.7 million, out of which £45.5 million had been paid. Legal actions have been taken against the shipowner, the P & I insurer and the 1971 Fund in the Scottish courts in respect of claims totalling some £48 million. Further claims were time-barred on or shortly after 5 January 1996.

Some of the claimants took legal action to preserve their rights, so as to enable them to continue discussions for the purpose of arriving at out-of-court settlements. The majority of the claims subject to the court proceedings have been rejected by the 1971 Fund, however, on the basis of decisions taken by the Executive Committee.

7 As regards the *Sea Prince* incident, the total amount of the claims as at 31 December 1997 exceeded the maximum amount of compensation available under the 1971 Fund Convention, 60 million SDR. However, in January and February 1998 a large number of claims were settled at amounts far lower than those claimed, and as a result the total amount of the established claims will stay well within 60 million SDR.

8 Regarding the *Yuil N°1* and *Osung N°3* there is great uncertainty as to the total amount of the claims, since significant quantities of oil remain in the wrecks of both vessels, constituting a risk of further pollution. The Korean authorities are planning to carry out operations to remove the oil. If these operations are successful, it is likely that the total amount of the claims arising out of each incident will stay well within 60 million SDR.

9 As for the *Sea Empress* incident, it is unlikely that the total amount of the claims will exceed the maximum amount of compensation available under the 1971 Fund Convention, although it cannot be ruled out.

10 The total amount of the established claims arising out of the *Nakhodka* incident will exceed the maximum amount available under the 1971 Fund Convention, ie 60 million SDR. Additional compensation will be available under the 1992 Fund Convention.

11 The *Nissos Amorgos* incident has given rise to claims which by far exceed 60 million SDR. In the 1971 Fund's view, a major part of these claims is not admissible under the 1969 Civil Liability Convention and the 1971 Fund Convention.

12 Very high amounts in lawyers' and surveyors' fees have been included in the contingent liabilities in respect of the *Irving Whale*, *Haven*, *Aegean Sea*, *Braer*, *Sea Prince*, *Yuil N°1*, *Sea Empress*, *Nakhodka*, *Nissos Amorgos* and *Osung N°3* incidents. The amounts have been estimated on the basis of the likely volume of work to be carried out.

13 The incidents in respect of which over the years the 1971 Fund has been, or may be, obliged to make payments are set out in the 1971 and 1992 Funds' "Annual Report 1997".
