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OIL POLLUTION
COMPENSATION
FUND 1992

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Agenda item 11

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FINANCIAL STATEMENTS AND AUDITOR'S REPORT AND OPINION

Note by the Director

<i>Summary:</i>	The Financial Statements and the Auditor's Report and Opinion are set out.
<i>Action to be taken:</i>	Approval of accounts.

1 In accordance with Article 29.2(f) of the 1992 Fund Convention, the Director has prepared the financial statements of the 1992 Fund for the financial year 2000. Pursuant to Financial Regulation 13.9, the External Auditor has submitted to the Assembly, through its Chairman, his Report on the audit of the financial statements of the 1992 Fund for the financial period ended 31 December 2000. 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 2000 are at Annex IV.

Action to be taken by the Assembly

4 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 2000

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 1992 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 The following financial statements for the period 2000 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 2000
Statement II	Income and Expenditure Account in respect of the General Fund for the Financial Period 1 January - 31 December 2000
Statement III.1	Income and Expenditure Account in respect of the <i>Nakhodka</i> Major Claims Fund for the Financial Period 1 January - 31 December 2000
Statement III.2	Income and Expenditure Account in respect of the <i>Osung N°3</i> Interim Major Claims Fund for the Financial Period 1 January - 31 December 2000
Statement III.3	Income and Expenditure Account in respect of the <i>Erika</i> Major Claims Fund for the Financial Period 1 January - 31 December 2000
Statement IV	Provident Fund Account for the financial period 1 January - 31 December 2000
Statement V	Balance Sheet of the 1992 Fund as at 31 December 2000
Statement VI	Cash Flow Statement for the 1992 Fund for the Financial Period 1 January - 31 December 2000

1.3 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 2000 and on contributions outstanding for previous financial periods
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Schedule II Report on Payment of Claims for the Financial Period 1 January - 31 December 2000

Schedule III Details of Contingent Liabilities as at 31 December 2000

1.4 The 1992 Fund Secretariat was established on 16 May 1998, the date on which the compulsory denunciations of the 1969 Civil Liability Convention and the 1971 Fund Convention took effect. It was decided by the 1971 Fund and 1992 Fund Assemblies that the 1992 Fund Secretariat, from that date, would administer also the 1971 Fund (documents 92FUND/ES.1/22, paragraph 6.2 and 71FUND/A.19/30, paragraph 11.3)

1.5 Staff Regulation 23(b) provides that the Director shall establish and operate a Provident Fund to which both the 1992 Fund and staff members shall contribute on such terms and conditions as may be approved by the Assembly. Under Staff Rule VIII.5(g), the auditing of the Provident Fund shall be carried out in conjunction with the annual auditing of the accounts of the 1992 Fund.

1.6 The majority of the 1992 Fund's assets and liabilities at the end of 2000 financial period were held in Pounds Sterling. Gains or losses arising from foreign currency exchange transactions during the relevant accounting period are treated as normal items of operation. However, in relation to the *Nakhodka* Major Claims Fund, Japanese Yen was bought for sterling and invested during 2000. Any gains or losses at the end of the financial year arising from these deposits were credited or debited to that Major Claims Fund.

1.7 The incidents in which the 1992 Fund was involved during 2000 are listed in Schedule II.

1.8 Levy of 1999 contributions were made for the *Nakhodka* Major Claims Fund and the *Erika* Major Claims Fund for payment in 2000. In addition, the *Osung N°3* Interim Major Claims Fund was extinguished in 2000 and the contributors to this Fund were reimbursed on 1 March 2000.

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 2000 (Statement I)

The 1992 Fund Assembly, at its 4th session, and the 1971 Fund Executive Committee, at its 62nd session, acting on behalf of the 1971 Fund Assembly, respectively, decided that the cost of running the joint Secretariat should, for the period 1 January to 31 December 2000, be distributed equally by the 1992 Fund and the 1971 Fund (documents 92FUND/A.4/32, paragraph 26.1 and 71FUND/EXC.62/14/A.22/23, paragraph 22.1). The exceptions from this distribution are set out in Note 6 to the financial statements.

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

The total obligations incurred in respect of both Organisations amount to £2 424 039 compared with the appropriation of £3 225 040. The savings amount accordingly to £801 001.

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 Chapters as summarised below:

Chapter	Revised Budget appropriations	Obligation incurred	Balance of appropriations
I Personnel	1 512 240	1 255 248	256 992
II General services	663 100	538 316	124 784
III Meetings	113 600	82 397	31 203
IV Conferences and travel	70 000	25 356	44 644
V Miscellaneous expenditure	206 100	79 911	126 189
VI Unforeseen expenditure	60 000	0	60 000
VII Relocation costs	600 000	442 811	157 189
Total	3 225 040	2 424 039	801 100

Details of expenditure by Chapter are as follows.

I *Personnel*

The total expenditure on personnel was £1 255 248 compared with the appropriation of £1 512 240, resulting in a saving of £256 992. The saving was made out of various appropriations as follows: £118 716 from Salaries, £52 807 from Separation and recruitment, and £85 469 from Staff benefits and allowances.

The fact that one professional staff post and one general service staff post were not filled within the financial year resulted in significant savings. The budgeted increase in Professional staff salaries did not materialise, also resulting in some savings. Savings were also made under the appropriation for recruitment, as the current Director was re-appointed for a further term of five years from 1 January 2000.

II *General services*

The total expenditure on General Services was £538 316 compared with the appropriation of £663 100, resulting in a saving of £124 784. The savings were mainly in respect of the appropriations for Public Information and Rent of office accommodation, the latter mainly due to fact that the relocation of the Funds' offices did not take place until mid 2000. The appropriation for Other supplies and services was exceeded by £2 227, which was met from a transfer from the appropriation for Public information within the same Chapter.

III *Meetings*

The total expenditure on Meetings was £82 397, compared with the appropriation of £113 600, resulting in a saving of £31 203. The saving was due mainly to fewer meetings being held in 2000 than envisaged. The 1992 Fund held one Intersessional Working Group session. The budget also included appropriation for one such session for the 1971 Fund, but no such session was held. The 1971 Fund Executive Committees held one session less than included in the budget appropriations.

The appropriation for the Autumn Assembly / Executive Committee sessions was exceeded by £15 479. The excess was met by a transfer from the appropriation for Intersessional Working Groups within the same Chapter. The 1992 Fund Assembly held an extraordinary session during 2000 and the excess expenditure of £599 was also met by a transfer from the appropriation for Intersessional Working Groups. The costs related to Spanish translation and interpretation were borne only by the 1992 Fund, since Spanish is an official language of the 1992 Fund only.

IV *Conferences and travel*

The Secretariat participated in various conferences and seminars during 2000. In some cases missions were combined with conferences and seminars, and vice versa. A saving of £44 644 was made under this Chapter.

V *Miscellaneous expenditure*

The total expenditure under this head was £79 911, compared with the appropriation of £206 100, resulting in a saving of £126 189.

The saving relates mainly to Consultants' fees (saving of £107 549).

VI *Unforeseen expenditure*

There was no expenditure under this Chapter, resulting in a saving of £60 000.

VII *Relocation costs*

During the year the Funds' offices moved to new premises. A major part of the costs relating to the relocation of the offices was paid by the United Kingdom Government (cf document 92FUND/A.5/13). The costs incurred by the IOPC Funds relating to the relocation were met from Chapter VII in the 2000 Budget. The total expenditure under this heading was £442 811 against an appropriation of £600 000, resulting in a saving of £157 189.

2.2 Income and Expenditure Account in respect of the General Fund for the financial period 1 January - 31 December 2000 (Statement II)

I *Income*

(a) Contributions

No levy of 1999 contributions due in 2000 was made to the General Fund.

(b) Miscellaneous

The major part of the income under this head consisted of the interest of £1 303 799 earned on the investment of the 1992 Fund's assets.

II *Expenditure*

The total expenditure was £3 633 840. The major part of the expenditure represents payments made by the 1992 Fund in respect of the *Erika* incident (£2 345 448) and the 1992 Fund's share of the costs of running the joint Secretariat (£1 246 005).

III *Excess of income over expenditure*

A deficit of £2 180 842 was recorded for the financial period ended 31 December 2000.

2.3 Income and Expenditure Account in respect of the *Nakhodka* Major Claims Fund for the financial period 1 January - 31 December 2000 (Statement III.1)

I *Income*

(a) Contributions

The levy of 1999 contributions to the *Nakhodka* Major Claims Fund was fixed by the Assembly at £13 million. The entire levy was deferred. In accordance with the authority given to him by the Assembly at its session in October 1999, the Director decided that the entire amount should be levied for payment by 1 September 2000. The total amount actually levied during the financial period was £12 957 208

Details of the contributions receivable are given in Schedule I.

(b) Miscellaneous

The major part of the income under this head consists of interest of £1 505 288 realised from the investment of monies received in respect of this Major Claims Fund.

II *Expenditure*

The expenditure on this account in 2000 amounted to £27 592 372.

III *Excess of income over expenditure*

A deficit of £13 095 268 was recorded for the financial period ended 31 December 2000.

2.4 Income and Expenditure Account in respect of the *Osung N°3* Interim Major Claims Funds for the financial period 1 January - 31 December 2000 (Statement III.2)

At its 4th session the Assembly noted that there would be no further claims against the 1992 Fund arising out of the *Osung N°3* incident and that all expenses had been paid. The Assembly decided, pursuant to Financial Regulation 4.4, that an amount of £3.7million should be reimbursed to the contributors to the *Osung N° 3* Interim Major Claims Fund and that the balance should be transferred to the General Fund (document 92FUND/A.4/32, paragraph 29.4). Contributors to the Interim Major Claims Fund were reimbursed on 1 March 2000.

2.5 Income and Expenditure Account in respect of the *Erika* Major Claims Funds for the financial period 1 January - 31 December 2000 (Statement III.3)

I *Income*

(a) Contributions

The Assembly decided at its 4th extraordinary session that an amount of £40 million should be levied as 1999 annual contributions to the *Erika* Major Claims Fund for payment by 1 September 2000 (document 92FUND/A.ES.4/7, paragraph 3.3). The total amount actually levied during the financial period was £39 883 215.

Details of the contributions receivable are given in Schedule I.

(b) Miscellaneous

The major part of the income under this head consists of interest of £517 346 realised from the investment of monies received in respect of this Major Claims Fund.

II *Expenditure*

There was no expenditure on this account in 2000.

III *Excess of income over expenditure*

A surplus of £40 424 404 was recorded for the financial period ended 31 December 2000.

2.6 Provident Fund Account for the financial period 1 January - 31 December 2000 (Statement IV)

I The Assembly decided, at its 2nd session, that the 1992 Fund should establish a Provident Fund, to be operated in the same manner and give the staff members the same benefits as they were given by the 1971 Fund's Provident Fund (document 92FUND/A.2/29, paragraph 13.6).

II Contributions to the Provident Fund during the financial year, in accordance with Staff Regulation 23(b) and Staff Rule VIII.5, amounted to £284 034 of which £90 678 was the participants' share. Interest earned on the total Provident Fund was £78 195.

III After the withdrawal of £189 015 on separation by three staff member and in the form of one loan under the housing loan scheme, there remained a balance of £1 197 466 on the accounts of staff members as at 31 December 2000.

2.7 Balance Sheet as at 31 December 2000 (Statement V)

I *Contributions outstanding*

The amount of £470 163 represents the outstanding balances of contributions as summarised in Schedule I.

II *Due from 1971 Fund*

An amount of £1 007 465 is due from the 1971 Fund (see Note 13 to the Financial Statements).

III *Due to Major Claims Funds*

The balances due to Major Claims Funds are set out below:

<i>Nakhodka MCF</i>	£23 970 457
<i>Erika MCF</i>	£40 523 592

IV *Prepaid Contributions*

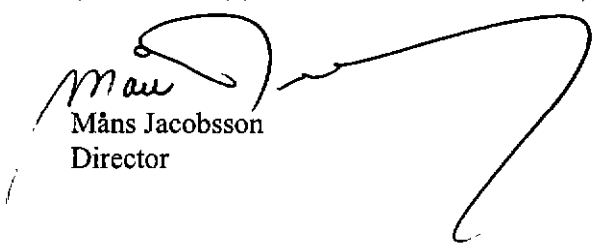
An amount of £1 331 381 represents 2000 annual contributions to the General Fund and to the *Nakhodka* and *Erika* Major Claims Funds (see Note 18 to the Financial Statements).

V *General Fund Balance*

The figure of £14 282 115 represents the excess of Income over Expenditure in respect of the General Fund over the years 1996-2000.

2.8 Cash Flow Statement for the financial period 1 January - 31 December 1999 (Statement VI)

During the period ended 31 December 2000, the net cash outflow from operating activities was £18 397 683 and the interest from the 1992 Fund's investments amounted to £3 442 650 which, added to the opening balance of £57 424 942, resulted in a cash balance as at 31 December 2000 of £79 265 275 (see Note 11(a) to the Financial Statements).


Mats Jacobsson
Director

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**REPORT OF THE EXTERNAL AUDITOR ON THE FINANCIAL
STATEMENTS OF THE INTERNATIONAL OIL POLLUTION
COMPENSATION FUND 1992
FOR THE FINANCIAL PERIOD 1 JANUARY TO
31 DECEMBER 2000**

PART ONE – INTRODUCTION

Scope of the Audit

1. I have audited the financial statements of the International Oil Pollution Compensation Fund 1992 (“the 1992 Fund”) for the financial period ended 31 December 2000. My examination was carried out with due regard to the provisions of the 1992 Protocol to the 1971 Fund Convention and to Regulation 13 of the Fund’s Financial Regulations. My audit has been conducted in conformity 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 1992 Fund’s financial statements are free of material misstatement. The 1992 Fund’s Secretariat, comprised of the Director and his appointed staff, were responsible for preparing these financial statements, and I am responsible for expressing an opinion on them, based on evidence obtained in my audit.
2. Following this introduction, my report is set out as follows:

Part 2 – Follow up Comments

3. This section (paragraphs 11 to 19) sets out my comments on action taken by the Secretariat in response to previous external audit recommendations.

Part 3 – An Executive Summary

4. This section (paragraphs 20 to 34) summarises the main conclusions and recommendations arising from my 2000 audit.

Part 4 – Detailed Findings

5. This section (paragraphs 35 to 63) details my findings in 2000 relating to:
 - Claims expenditure;
 - Proposed supplementary European Union Compensation Fund;
 - Financial controls;

- The Fund's Website; and
- Other financial matters.

Audit Objective

6. 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 2000 had been received and incurred for the purposes approved by the 1992 Fund Assembly; whether income and expenditure were properly classified and recorded in accordance with the 1992 Fund's Financial Regulations; and whether the financial statements presented fairly the financial position as at 31 December 2000.

Audit Approach

7. 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 1992 Fund's accounting records and were fairly presented.
8. 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 1992 Fund's financial statements. Consequently, my work did not involve a detailed review of all aspects of the 1992 Fund's budgetary and financial information systems, and the results should not be regarded as a comprehensive statement on them.
9. 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 Four of this report.

Overall Results

10. 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. Accordingly, I have placed an unqualified opinion on the financial statements for 2000.

PART TWO – ACTION TAKEN BY THE SECRETARIAT IN RESPONSE TO MY PREVIOUS YEAR’S AUDIT RECOMMENDATIONS

11. In my 1999 report I made a number of observations and recommendations. The actions taken in response to these are detailed below.

Claims Expenditure

12. In 2000, apart from the payment of some £9,000 in fees, all payments – fees and compensation – in respect to the Nakhodka incident were made by the 1992 Fund. However, earlier payments were borne by the 1971 Fund up to its compensation limit.
13. On behalf of both Funds, my staff visited the Kobe Claims Office, run by General Marine Surveyors Ltd (GMS), in 1998 and in 1999. Additionally, in 1999, my staff visited the office of Cornes & Co Ltd, Kobe, Japan, to review the tourist industry claims payments. With regard to these claims, I recommended that:
- overall claims principles be fully documented for the settlement of claims for each incident; and
 - standard claims calculation submission forms should be utilised.
14. The Director has since responded that it would not be possible to establish in the abstract accurate principles for the assessment of tourist claims beyond the principles relating to the admissibility of claims for pure economic loss laid down in the Claims Manual.
15. Partly in response my earlier recommendations in this area, a computerised system, to assist in the assessment of tourism claims, has recently been developed. The Director has informed me that an evaluation will be made to see whether a standard form for claims assessment can be satisfactorily generated from the system.
16. With regard to the remaining, non-tourism claims, which are dealt with by the Kobe Claims Office run by General Marine Surveyors Ltd (GMS), I recommended that
- the standard data base then being developed to monitor claims processing should include details of and/or cross references to the full history of the individual claims, including meetings held and telephone conversations with claimants, and their review, with full supporting documentation/evidence; and

- due consideration be given to holding more face-to-face meetings, in particular between GMS staff and International Tanker Owners Pollution Federation Ltd (ITOPF) staff and other technical experts, in order to speed-up claims settlement.

17. The Director has informed me that he has considered and taken into account the details that I recommend should be included in the designing of the claims database.
18. With regard to the need for more face-to-face meetings, I am pleased to note that during 2000 the Director, Legal Counsel and Head of Claims Department made a total of seven visits to Japan to resolve outstanding claims and related matters. In several instances the ITOPF experts accompanied the Fund staff and meetings were held with a wide participation of the persons involved. Considerable progress has been made in the settlement of claims from this incident, with only relatively few claims pending.

Investments and Cash Management

19. I recommended that the Secretariat should continue to monitor the position carefully to ensure that investments were properly safeguarded, should a decision be taken to increase the amount that can be invested with an institution. The limits have in fact not been increased, although this situation may change if the trend of mergers amongst banks and building societies continues. Our testing confirmed that investments during the 2000 year have been made in accordance with the Fund's investment policies, as recommended by the Investment Advisory Body.

PART THREE – EXECUTIVE SUMMARY

20. This executive summary outlines the main observations arising from the detailed findings provided in Part Four of my report.

Claims Expenditure

20. Total 1992 Fund claims payments in 2000 amounted to £30 million and were largely in respect of the Nakhodka and Erika incidents. My staff selected and examined a sample of this expenditure, including reviewing whether claims had been treated equally and in accordance with the Fund's Regulations.

Lorient Claims Handling Office

21. The 1992 Fund and Steamship Mutual Underwriting Association (Bermuda) Ltd (the P&I Club) established a local claims handling office in Lorient, France, to deal with claims for compensation arising from the Erika incident, which occurred at the end of 1999.
22. As part of the 1999 audit, my staff first visited the claims office, in May 2000, to review whether satisfactory local procedures had been established for the processing of claims. At that time no actual claim payments had been made. Payments have now been initiated by the P&I Club and my staff re-visited the Lorient Office in April 2001.
23. My staff continued to be favourably impressed by the way in which the Lorient Office is operated and managed, including the extent of direct contact between the Office and the Fund's Secretariat in the discussions that have been held with the P&I Club and with various claimants.
24. They also noted that guidance on how to set out reports had been provided to the assessors contracted to review the claims. I **welcome** such action as a positive step that should help ensure that consistency in assessment of claims is maintained, with due consideration being given to the relevant factors affecting the claim, regardless of which assessor is reviewing a particular claim.

New Claims Handling Database

25. A new claims handling database has been established by the Secretariat, which has been introduced first to the Lorient claims office. Its design has, partly, been in response to my earlier recommendations concerning the details that should be included in the database. My staff reviewed the database and noted that its introduction has resulted in enhanced claims reporting and management, which should make a significant contribution to the Secretariat's ability to review the status and progress of claims and payments for incidents.
26. The database also includes a Tourism Claims Assessment Tracking System (TCATs), and has been developed in conjunction with L&R, the Fund's experts for assessing tourism claims in France. However, the TCATs system is still in its infancy and, as such, my staff have not yet undertaken a detailed appraisal of this aspect of the database. It is their intention, for the 2001 audit, to visit both the L&R office and to review the TCATs system and its use in more depth.
27. As a possible future development to the database, the Secretariat has plans to address whether it could be directly linked into the accounting system. This would further enhance the management information of the Fund, as it will provide additional assurance over the accuracy of the information with respect to claims paid.

Proposed Supplementary European Union Compensation Fund

28. The Commission of the European Communities has published a proposal for a Regulation, which would set up a fund to provide supplementary compensation up to a maximum limit of 1,000 million Euros for oil spills in Member States of the European Union. Compensation would only be payable for claims which have been approved by the IOPC Fund.
29. The audit arrangements for the EU proposal have yet to be clarified, including the extent of reliance that the Commission might place on the audit work of my staff in verifying the correctness of contributions data and claims payments. The Secretariat is also concerned about the additional burden that may be placed on them if there should be any duplication of audit effort.
30. Should a European Supplementary Fund be established along the lines of the proposed Regulation, I **recommend** that, in the context of the necessary liaison between the Fund Secretariat and the European Commission, due attention is placed on ensuring efficient audit arrangements are put into place that are satisfactory to all parties. My staff would wish to participate in such discussions.

Financial controls

31. In addition to their review of claims expenditure, my staff reviewed the financial control systems at the Fund's Secretariat relating to:
- Contributions income;
 - Payroll;
 - Administrative expenditure;
 - Cash forecasting and investment of surplus cash.
32. They found that these systems had adequate control systems in place, and control procedures had been adhered to in audit testing. They were particularly pleased to note that quarterly accounts are now being produced by staff at the Secretariat. This represents a significant improvement in financial monitoring controls, and I **welcome** this very positive development.

The Fund's Website

33. My staff noted that a website for the 1971 and 1992 Funds has now been established. This is a very encouraging move, which should ensure that the Funds are able to provide a positive image to the outside world, demonstrating openness and transparency.
34. I **welcome** the potential efficiency savings from the website's Document Server's facility to electronically distribute Assembly and Executive Committee documents to Fund Member States and other authorised users.

PART FOUR – DETAILED FINDINGS

Claims Expenditure

35. Total 1992 Fund claims payments in 2000 amounted to £30 million and were largely (92%) in respect of the Nakhodka incident. The only other incident with a significant level of expenditure is the Erika, with £2.3m spent on claims related expenditure in the year. Of the £30 million total expenditure, approximately £25 million related to compensation, with the other £5 million relating to fees, travel and miscellaneous expenses incurred in relation to claims.
36. My staff selected and examined a sample of claims and claims related payments made in 2000, covering those incidents for which significant payments had been made in the year. They reviewed the associated files and related documents held at the Fund's headquarters in London and held discussions with key Secretariat staff, including the Director, the Head of the Claims Department and the Legal Counsel.
37. As well as verifying payments to supporting claims documentation my staff also reviewed whether claims had been treated equally and in accordance with the Fund's Regulations and established procedures, and that claims expenditure was incurred in a cost effective manner, taking into account the Fund's objectives of paying compensation.

Lorient Claims Handling Office

38. The 1992 Fund and Steamship Mutual Underwriting Association (Bermuda) Ltd (the P&I Club) established a local claims handling office in Lorient, France, to deal with claims for compensation arising from the Erika incident, which occurred at the end of 1999.
39. As part of the 1999 audit, my staff first visited the claims office, in May 2000, to review whether satisfactory local procedures had been established for the processing of claims. At that time no actual claim payments had been made. Payments have now been initiated by the P&I Club and my staff re-visited the Lorient Office in April 2001.
40. My staff continued to be favourably impressed by the way in which the office is operated and managed. They were able to review and assess the overall procedures and internal controls in operation, including a test sample of a number of payments made by the P&I Club, and found these to be satisfactory. They noted that guidance on how to set out reports had been provided to the assessors contracted to review the claims. I welcome such action as a positive step that should help ensure that consistency in assessment of claims is maintained, with due consideration being given to the relevant factors affecting the claim, regardless of which assessor is reviewing a particular claim.

41. My staff also noted that there has been a lot of direct contact between the Lorient office and the 1992 Fund Secretariat, and that numerous visits have been made by staff from the Fund to this office, where discussions have been held with the P&I Club and with various claimants. In my view this should considerably assist the process of settling claims.

New Claims Handling Database

42. A new claims handling database has been established by the Secretariat, which has been introduced first to the Lorient claims office. Its design has, partly, been in response to my earlier recommendations concerning the details that should be included in the database.
43. My staff reviewed the database and noted that its introduction has resulted in:
- Improved reporting of the overall position of the claims. Examples of the information that can be presented include: total claims by status (claimed, assessed, approved, agreed, authorised for payment, payments made, claims rejected); claims by geographical area; and claims by category (e.g. tourism, fisheries etc.);
 - Performance data, which will assist management of the claims situation: for example the average time to assess a claim from arrival at the office, or the average time taken by each of the contracted assessors to review and assess claims;
 - Information that allows the Secretariat to establish, on an ongoing basis, the total that has been paid by the P&I Club. This will facilitate identification of the point where the Club has paid up to its limit and the Fund takes responsibility for further payments.
44. Furthermore, the database is being used to speed up the claims approval process by allowing the Fund to establish "populations" of claims, against which individual claims can be reviewed to establish whether the claim fits within the "expected value" for that population. Such a system has been established in relation to tourism claims resulting from the Erika incident. This is known as the Tourism Claims Assessment Tracking System (TCATs), and has been developed in conjunction with L&R, the Fund's experts for assessing tourism claims in France. Once the claim details have been entered into the system, the claim is categorised, and the information is analysed to assess (i) whether the claim can be regarded as "simple" for comparison purposes, and (ii) whether the claim matches up to the parameters of the population that has been established for that category of claim. Whilst this does not replace the expert and his knowledge-based assessment, it is helpful in identifying obviously inflated or inaccurate claims, and is used to determine which claims can be passed for approval on the basis of information submitted, and which require more investigation. As a result, this should lead to significant increases in the efficiency of claims assessments.

45. The TCATs system is still in its infancy and, as such, my staff have not yet undertaken a detailed appraisal of this aspect of the database. It is their intention, for the 2001 audit, to visit both the L&R office and to review the TCATs system and its use in more depth.
46. Overall, the introduction of the new claims handling database, with the type of reporting and management facilities outlined briefly above, should make a significant contribution to the Secretariat's ability to review the status and progress of claims and payments for incidents. Furthermore, this information will assist the Secretariat to identify problem areas, and to take remedial action that may be required.
47. However, the database has no direct link into the accounts system, although the Secretariat has plans to address this issue. This development will further enhance the management information of the Funds, as it will provide additional assurance over the accuracy of the information with respect to claims paid.

Proposed Supplementary European Union Compensation Fund

48. The Commission of the European Communities has published a proposal for a Regulation, which would set up a fund to provide supplementary compensation up to a maximum limit of 1,000 million Euros for oil spills in Member States of the European Union. Compensation would only be payable for claims which have been approved by the IOPC Fund. The proposed fund would be financed by contributions levied on receivers of sea-borne oil in European Union Member States.
49. The audit arrangements for the EU proposal have yet to be clarified, including the extent of reliance that the Commission might place on the audit work of my staff in verifying the correctness of contributions data and claims payments. The Secretariat is also concerned about the additional burden that may be placed on them if there should be any duplication of audit effort.
50. Should a European Supplementary Fund be established along the lines of the proposed Regulation, I **recommend** that, in the context of the necessary liaison between the Fund Secretariat and the European Commission, due attention is placed on ensuring efficient audit arrangements are put into place that are satisfactory to all parties. My staff would wish to participate in such discussions.

Financial Controls

51. In addition to their review of claims expenditure, my staff examined and documented the following financial control systems at the Fund Secretariat:
- Contributions income;
 - Payroll;

- Administrative expenditure;
- Cash forecasting and investment of surplus cash.

52. They found that these systems had adequate control systems in place, and during audit testing found that control procedures had been adhered to. I was pleased to note that management letter recommendations made by my staff in previous years, designed to improve the control environment, had all be actioned by the Secretariat.
53. I was particularly pleased to note that quarterly accounts are now being produced by staff at the Secretariat. This represents a significant improvement in financial monitoring controls, and I **welcome** this very positive development.
54. Concerning the controls relating to the investment of surplus cash, the Fund has an investment policy, which sets out the types of institutions (and required credit ratings) in which the Fund may invest. The policies are subject to review by the Investment Advisory Body, who advise the Director with regard to which policies would be appropriate.
55. My staff reviewed a sample of the investments held by the Fund and found that they were all in accordance with the Investment Policy.

The Fund's Website

56. My staff noted that a website for the 1971 and 1992 Funds has now been established. This is a very encouraging move, which should ensure that the Funds are able to provide a positive image to the outside world, demonstrating openness and transparency.
57. Information is currently available at two levels:
- The general website, available to all internet users - this gives general information on the Fund, including publications such as the annual report and claims manuals.
 - The Document Server, which is only available to authorised users such as Fund Member States, gives access to Fund documents.
58. The general website gives a good introduction to the role and work of the IOPC Funds, and gives links to useful publications such as the Claims Manuals and Annual Reports. It is currently available only in English. I understand that preparations are made for making the website available also in the other two official languages of the Funds.
59. The Document Server gives access to the Assembly and Executive Committee documents, and is available in the three official languages of the Funds. Currently only relatively recent documents are contained on the Document Server, but consideration is being given to extending this to historical

information. There is a search facility, in addition to listings of documents by meetings, and these should assist a timely accessing of information by interested parties. As some delegations have confirmed that they no longer wish to receive hard copy information, cost savings should eventually be generated through the distribution of information via the Internet rather than the use of postal services.

60. I **welcome** these potential efficiency savings in information distribution and the use of the general website in promoting the wider understanding of the role of the Funds and the valuable work that they do.

Other Financial Matters

Control of Supplies and Equipment

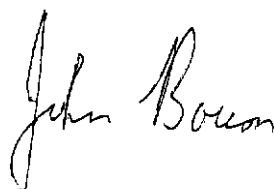
61. As recorded in Note 11(b) to the Fund's financial statements, the value of supplies and equipment held by the Fund was £285,983 as at 31 December 2000. In accordance with the Fund's stated accounting policies, purchases of equipment, furniture, office machines, supplies and library books are not included in the Fund's balance sheet, but are charged as expenses when purchased.
62. My staff carried out a test examination of the 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 2000 properly reflect the assets held by the Fund. No losses were reported by the Fund during the year.

Amounts Written Off and Fraud

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

ACKNOWLEDGEMENT

64. I wish to record my appreciation of the willing co-operation and assistance extended by the Director, his staff, and the staff at the local claims handling office in Lorient during the course of my audit.

 14th June 2001

Sir John Bourn

Comptroller and Auditor General, United Kingdom

External Auditor

ANNEX III

**FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL
POLLUTION COMPENSATION FUND 1992 FOR THE YEAR
ENDED 31 DECEMBER 2000**

OPINION OF THE EXTERNAL AUDITOR

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

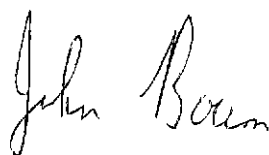
I have audited the appended financial statements, comprising Statements I to VI, Schedules I to III and Notes, of the International Oil Pollution Compensation Fund 1992 for the year ended 31 December 2000. These financial statements are the responsibility of the Director. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion the financial statements present fairly the financial position as at 31 December 2000 and the results of the year then ended; and were prepared in accordance with the 1992 Fund's stated accounting policies which were applied on a basis consistent with that of the preceding financial year.

Further, in my opinion, the transactions of the 1992 Fund, which I have tested as part of my audit, have, in all material respects, been in accordance with the Financial Regulations and legislative authority.

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



14th June 2001

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

ANNEX IV

FINANCIAL STATEMENTS

OF THE INTERNATIONAL OIL

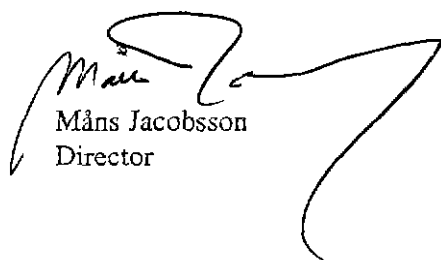
POLLUTION COMPENSATION FUND 1992

FOR THE FINANCIAL YEAR

ENDED 31 DECEMBER 2000

CERTIFICATION OF THE FINANCIAL STATEMENTS

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



Måns Jacobsson
Director



Ranjit S P Pillai
Head Finance & Administration Department

**STATEMENT I
GENERAL FUND**

STATEMENT OF BUDGET APPROPRIATIONS AND OBLIGATIONS INCURRED FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2000

CLASS OF EXPENDITURE		NOTE	BUDGET APPROPRIATIONS		REVISED BUDGET APPROPRIATIONS		OBLIGATIONS INCURRED		BALANCE OF APPROPRIATIONS		SPLIT OF OBLIGATIONS	
			2000	1999	2000	1999	2000	1999	2000	1999	1992 Fund	1971 Fund
			£	£	£	£	£	£	£	£	£	£
SECRETARIAT												
I PERSONNEL												
a	Salaries		1 021 450	878 050	1 021 450	878 050	902 734	799 897	118 716	78 153	451 367	451 367
b	Separation and recruitment		80 000	69 800	80 000	69 800	27 193	18 333	52 807	13 597	13 597	13 597
c	Staff benefits and allowances		410 790	378 750	410 790	378 750	335 321	257 674	85 469	121 076	162 661	162 660
			1 512 240	1 326 600	1 512 240	1 326 600	1 255 248	1 075 904	256 992	250 826	627 624	627 624
II GENERAL SERVICES												
a	Rent of office accommodation		218 000	132 500	218 000	132 500	198 757	87 590	19 243	44 910	99 379	99 379
b	Office machines		71 500	60 000	71 500	60 000	67 423	57 504	4 077	2 496	33 712	33 711
c	Furniture and other office equipment		24 500	24 500	24 500	24 500	4 578	7 622	19 922	16 878	2 289	2 289
d	Office stationery and supplies		22 000	22 000	22 000	22 000	18 664	13 892	3 336	8 108	9 332	9 332
e	Communications		57 100	52 000	57 100	52 000	45 477	41 754	11 623	10 246	22 738	22 738
f	Other supplies and services	2	33 500	30 000	35 727	30 000	35 727	27 364	-	2 636	17 864	17 863
g	Hospitality		16 500	16 500	16 500	16 500	15 194	9 576	1 306	6 924	7 597	7 597
h	Public information	2	220 000	183 750	217 773	183 750	152 496	58 020	65 277	124 830	93 195	59 301
			663 100	521 250	663 100	521 250	538 316	304 222	124 784	217 028	286 105	252 211
III MEETINGS												
a	Assembly/ Executive Committee (Autumn)	2	33 500	30 720	48 979	42 419	48 979	42 419	-	-	32 663	16 316
b	Further sessions of 1971 Fund Executive Committee		31 700	30 600	31 700	30 600	5 812	8 954	25 888	21 646	-	5 812
c	1992 Fund Executive Committee/Assembly	2	23 100	22 680	23 699	22 680	23 699	7 224	-	15 456	23 699	-
d	Intercessional Working Groups	2	25 300	24 160	9 222	12 461	3 907	5 234	5 315	9 227	3 907	-
			113 600	108 160	113 600	108 160	82 397	61 831	31 203	46 329	60 269	22 128
IV CONFERENCES AND TRAVEL												
a	Conferences and seminars		40 000	30 000	40 000	40 924	21 901	40 924	18 099	-	10 950	10 950
b	Mission		30 000	20 000	30 000	29 076	3 455	23 860	26 545	5 216	1 728	1 727
			70 000	50 000	70 000	70 000	25 356	64 784	44 644	5 216	12 678	12 678
V MISCELLANEOUS EXPENDITURE												
a	External Audit		56 600	46 600	56 600	46 600	49 436	45 020	7 164	580	22 686	26 750
b	Payment to IMO for general services		6 500	6 400	6 500	6 400	-	-	6 500	6 400	-	-
c	Consultants' fees		125 000	185 000	125 000	185 000	12 475	107 549	112 525	77 451	6 238	6 237
d	Payment to IMO for translator		-	70 350	-	70 350	-	28 000	-	42 350	-	-
e	Investment Advisory Body		18 000	18 000	18 000	18 000	18 000	18 000	-	-	9 000	9 000
			206 100	326 350	206 100	326 350	79 911	199 569	126 189	126 781	37 924	41 987
VI UNFORESEEN EXPENDITURE												
VI	RELOCATION COSTS		600 000	400 000	600 000	400 000	442 811	-	157 189	400 000	221 405	221 406
TOTAL I-VI			3 225 040	2 792 360	3 225 040	2 792 360	2 424 039	1 707 052	801 001	1 085 308	1 246 005	1 178 034
VII WINDING UP 1971 FUND												
VII			250 000	-	250 000	-	36 708	-	213 292	-	-	36 708

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.1 to III.3 for the various Major Claims Funds.

STATEMENT II

GENERAL FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2000

	Note	2000		1999	
INCOME		£	£	£	£
Contributions (Schedule I)					
Contributions		-		7 207 711	
Adjustment to prior years' assessment		-		129 107	
			-		7 336 818
Miscellaneous					
Miscellaneous Income	3	325		27 350	
Transfer from <i>Osung N°3 Interim MCF</i>	8	160 376		-	
Interest on overdue contributions	4	(11 502)		5 647	
Interest on investments	5	1 303 799		758 521	
			1 452 998		791 518
			1 452 998		8 128 336
EXPENDITURE					
Secretariat expenses (Statement I)					
Obligations incurred	6		1 246 005		815 304
Claims (Schedule II)					
Compensation			-		3 414 149
Claims related expenses (Schedule II)					
Fees		2 294 323		17 837	
Travel		36 623		1 182	
Miscellaneous		56 889		1 720	
			2 387 835		20 739
			3 633 840		4 250 192
(Shortfall)/Excess of income over expenditure			(2 180 842)		3 878 144

STATEMENT III.1

MAJOR CLAIMS FUND - *Nakhodka*

**INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2000**

	Note	2000		1999	
INCOME				£	£
Contributions (Schedule I)					
Contributions (fourth levy)		12 957 208		-	
Contributions (third levy)		-		8 942 874	
Contributions (second levy)		-		21 237 294	
Adjustment to prior years' assessment		-		106 081	
			12 957 208		30 286 249
Miscellaneous					
Interest on overdue contributions	4	34 608		17 439	
Interest on investments	5	1 505 288		1 210 538	
			1 539 896		1 227 977
			14 497 104		31 514 226
EXPENDITURE (Schedule II)					
Compensation		24 746 690		1 557 216	
Fees		2 803 723		100 908	
Travel		27 346		-	
Miscellaneous		14 613		849	
			27 592 372		1 658 973
(Shortfall)/Excess of income over expenditure			(13 095 268)		29 855 253
Exchange adjustment	7		(265 156)		-
Balance b/f: 1 January			37 330 881		7 475 628
Balance as at 31 December			23 970 457		37 330 881

STATEMENT III.2

INTERIM MAJOR CLAIMS FUND - Osung N°3

**INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2000**

	Note	2000		1999	
INCOME		£	£	£	£
Contributions (Schedule I)					
Contributions		-		-	
Adjustment to prior years' assessment		-		77 524	
			-		77 524
Miscellaneous					
Interest on overdue contributions	4	-		100	
Interest on investments		-		153 676	
			-		153 776
			-		231 300
EXPENDITURE					
Compensation		-		-	
Fees		-		-	
Travel		-		-	
Miscellaneous		-		-	
			-		-
Excess/(Shortfall) of income over expenditure			-		231 300
Balance b/f: 1 January			3 909 620		3 678 320
Credit to Contributors' Account	8	3 749 244		-	
Transfer to General Fund	8	160 376		-	
			3 909 620		-
Balance as at 31 December			-		3 909 620

STATEMENT III.3

MAJOR CLAIMS FUND - Erika

**INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2000**

	Note	2000	
INCOME			
Contributions (Schedule I)			
Contributions (first levy)		39 883 216	
			39 883 216
Miscellaneous			
Interest on overdue contributions	4	23 842	
Interest on investments	5	517 346	
			541 188
			40 424 404
EXPENDITURE (Schedule II)			
Compensation		-	
Fees		-	
Travel		-	
Miscellaneous		-	
			-
Excess/(Shortfall) of income over expenditure			40 424 404
Exchange adjustment	7		99 188
Balance as at 31 December			40 523 592

STATEMENT IV

PROVIDENT FUND

**INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2000**

	Note	2000		1999	
RECEIPTS		£	£	£	£
Accounts of staff member 1 January			999 252		851 876
Contributions of staff members	9		90 678		72 446
Contributions of IOPC Funds	9		193 356		144 892
Repayment of housing loan			25 000		-
Interest received	5, 10		78 195		64 297
			1 386 481		1 133 511
PAYMENTS					
Housing loans		5 369		97 000	
Withdrawal on separation		183 646		37 259	
			189 015		134 259
Accounts of staff members as at 31 December			1 197 466		999 252

STATEMENT V

BALANCE SHEET OF THE 1992 FUND AS AT 31 DECEMBER 2000

	Note	2000	1999
ASSETS		£	£
Cash at banks and in hand	11	79 265 275	57 424 942
Contributions outstanding	12	470 163	552 579
Due from 1971 Fund	13	1 007 465	724 443
Tax recoverable	14	511 319	24 804
Miscellaneous receivable	15	297 645	12 153
Miscellaneous advances		-	8 686
Interest on overdue contributions	4	23 517	18 672
TOTAL ASSETS		81 575 384	58 766 279
LIABILITIES			
Staff Provident Fund	9	1 197 466	999 252
Accounts payable	16	27 738	31 997
Unliquidated obligations	17	199 805	31 418
Prepaid contributions	18	1 331 381	-
Contributors' account	19	42 830	154
Due to <i>Nakhodka</i> MCF		23 970 457	37 330 881
Due to <i>Erika</i> MCF		40 523 592	-
Due to <i>Osung N°3 Interim</i> MCF		-	3 909 620
TOTAL LIABILITIES		67 293 269	42 303 322
GENERAL FUND BALANCE	20	14 282 115	16 462 957
TOTAL LIABILITIES AND GENERAL FUND BALANCE		81 575 384	58 766 279

STATEMENT VI

CASH FLOW STATEMENT OF THE 1992 FUND

FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2000

	2000		1999	
	£	£	£	£
Cash as at 1 January		57 424 942		24 323 173
OPERATING ACTIVITIES				
Operating Surplus	17 746 274		31 841 962	
(Increase)/Decrease in Debtors	(968 772)		(726 489)	
Increase/(Decrease) in Creditors	1 620 181		(202 289)	
Net cash flow from operating activities		18 397 683		30 913 184
RETURNS ON INVESTMENTS				
Interest on investments	3 442 650		2 188 585	
Net cash inflow from returns on investments		3 442 650		2 188 585
Cash as at 31 December		79 265 275		57 424 942

NOTES TO FINANCIAL STATEMENTS

1 Significant Accounting Policies

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

(b) Basis of preparation

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

The financial year is the calendar year.

(c) Accounting convention

The accounts are prepared under the historical cost convention, modified to the extent that the cost of all property acquired is immediately charged as an expense, in accordance with Financial Regulation 11.4. Therefore, office machines, furniture and other supplies are not shown as assets in the Balance Sheet.

(d) 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.

(e) Expenditure arising out of incidents

Expenditure arising out of incidents is charged in the year of payment. There is no specific appropriation to meet any settlement of claims. Expenses up to four million Special Drawing Rights (SDRs) in respect of any one incident are charged to the General Fund in accordance with Financial Regulation 7.1(c)(i), and expenses over that amount in respect of any one incident are charged to the Major Claims Fund constituted for the incident in question in accordance with Financial Regulation 7.2(d).

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

(f) Contingent liabilities

In accordance with Financial Regulation 12.3(b), details of contingent liabilities are given in Schedule III. These contingent liabilities represent all known or likely claims against the 1992 Fund. All these claims may not necessarily mature. In the case of fees, these are calculated for the coming

year only, due to the difficulties of predicting the length and cost of legal proceedings or of negotiations for reaching out-of-court settlements. Those liabilities which mature will, under the 1992 Fund Convention, be met from contributions levied by the Assembly.

(g) Income

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

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

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

A report on contributions is provided in Schedule I.

(h) Investments

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

(i) Loans between funds

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

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

(j) Translation of currencies

The majority of the 1992 Fund's assets and liabilities at the end of the financial period 2000 were held in Pounds Sterling. Gains and losses arising from foreign currency exchange transactions during the relevant accounting period are treated as normal items of operation. In relation to the *Nakhodka* and *Erika* Major Claims Funds, Japanese Yen and French Francs were bought for sterling, and invested in accordance with Financial Regulation 10.4(a). Any gains or losses at the end of the financial year arising from holding these deposits are credited or debited to the respective Major Claims Fund.

For the translation of currencies, the rate applied is the rate of exchange for the Pound against various currencies on 29 December 2000 as published in the London Financial Times. These rates are as follows:

Bahrain Dinar	0.5632	=£1
French Franc	10.4369	=£1
German Mark	3.1120	=£1
Japanese Yen	170.5920	=£1
Republic of Korea Won	1889.6600	=£1
UAE Dirhams	5.4868	=£1
United States Dollar	1.4938	=£1

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

2 Revised budget appropriations

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

<i>Chapter</i>	<i>Transfer from appropriation</i>	<i>Transfer to appropriation</i>	<i>Amount £</i>
II	Public Information	Other supplies and services	2 227
III	Intersessional Working Groups	Assembly/Executive Committee (Autumn)	15 479
III	Intersessional Working Groups	1992 Fund Executive Committee/Assembly	599

There were no transfers between Chapters.

3 Miscellaneous income

The figure of £325 includes savings as a result of unliquidated obligations as at 31 December 1999 not materialising as at 31 December 2000.

4 Interest on overdue contributions

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

An amount of £14 770 of interest on late payment to the General Fund was waived in 2000 due to the 1992 Fund being unable to show that the contributor had received the original demand for payment, giving a net balance in favour of the contributors of £11 502 with respect to the General Fund.

5 Interest on investments

As at 31 December 2000 the 1992 Fund's portfolio of investments, comprising the 1992 Fund's time deposits (the General Fund, the Contributors' Account, the *Nakhodka* Major Claims Fund and the *Erika* Major Claims Fund) of £78 067 809, and Provident Fund's assets of £1 197 466 are distributed as set out in Note 11.

Interest due in 2000 on the investments amounted to £3 442 650. This amount is distributed as follows:

	£
General Fund	1 303 799
Contributors' account	38 022
<i>Nakhodka</i> Major Claims Fund	1 505 288
<i>Erika</i> Major Claims Fund	517 346
Provident Fund	<u>78 195</u>
	<u>3 442 650</u>

6 Obligations incurred

The figure of £1 246 005 represents the 1992 Fund's share of running the joint Secretariat.

In accordance with the 1992 and the 1971 Fund Governing Bodies decisions, the cost of running the joint Secretariat for the period 1 January - 31 December 2000 has been distributed equally between the 1992 Fund and the 1971 Fund (documents 92FUND/A.4/32, paragraph 26 and 71FUND/EXC.62/14/A.22/23, paragraph 22); this distribution has not been applied to certain items in respect of which it was possible to make a distribution based on the actual costs incurred by each Organisation. The exceptions from the 50:50 apportionment are as follows. The appropriation for Public information (Chapter II) has been split equally except for costs related to producing Spanish publications which have been borne only by the 1992 Fund, as Spanish is an official language of the 1992 Fund only. The appropriation for Meetings (Chapter III) has been distributed on the basis of the duration of the meetings of the 1992 and the 1971 Funds. Translation and interpretation costs with respect to Spanish in connection with meetings have been borne only by the 1992 Fund. The appropriation for External Audit (Chapter V) has been charged separately for each Fund. The appropriation under Chapter VIII relates to the winding up of the 1971 Fund with costs charged only to that Fund.

7 Exchange adjustment

As indicated in Note 1(j) above, currencies other than pounds sterling were held during 2000 for the *Nakhodka* and *Erika* Major Claims Funds. There was a net loss of £165 968 from currency revaluations of Japanese Yen and French Francs held in London for these Major Claims Funds.

Any gain or loss on the funds held by the respective Major Claims Fund has been credited or debited to the respective Major Claims Fund.

The net loss from currency revaluations is summarised below:

Currency	<i>Erika</i> MCF £	<i>Nakhodka</i> MCF £	Total £
French Francs	99 188	-	99 188
Japanese Yen	<u>-</u>	<u>(265 156)</u>	<u>(265 156)</u>
	<u>99 188</u>	<u>(265 156)</u>	<u>(165 968)</u>

8 Osung N°3 Interim Major Claims Fund

The Assembly noted at its 4th session that there would no further claims against the 1992 Fund arising out of the *Osung* N°3 incident and that all expenses had been paid. The Assembly decided, pursuant to Financial Regulation 4.4, that an amount of £3.7 million should be reimbursed to the contributors to the *Osung* N°3 Interim Major Claims Fund and that the balance should be transferred to the General Fund. (document 92FUND/A.4/32, paragraph 29.4)

9 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 1992 Fund 15.8% of that remuneration, pursuant to Staff Rule VIII.5(b).

10 Interest received in 2000 on the Provident Fund

The interest relating to the period from 1 January to 31 December 2000 was £78 195. The basis of calculation of the interest on the Provident Fund is that laid down by the 1971 Fund Executive Committee at its 2nd session (Record of Decisions, document FUND/EXC.2/6, item 6).

11 Assets - Cash at bank and in hand

- (a) The amount of £79 265 275 was held in various accounts as follows:

Time deposit accounts

	£	£
<u>Pounds sterling</u>		
Alliance & Leicester Group Treasury plc	8 500 000	
Bankgesellschaft Berlin	13 000 000	
Barclays Bank plc	1 700 000	
DePfa Bank Europe plc	10 350 000	
Fortis Bank	5 000 000	
Halifax plc	2 300 000	
Hamburgische Landesbank	6 000 000	
Landesbank Berlin	6 500 000	
Standard Life Bank	7 000 000	
UniCredito Italiano SpA	10 000 000	
Woolwich plc	<u>2 000 000</u>	
		72 350 000
<u>Foreign Currency Deposits</u>		
Nakhodka Major Claims Fund (Barclays JPYen deposit)	3 050 080	
Erika Major Claims Fund (Barclays FFfr deposit)	<u>2 119 291</u>	
		5 169 371

Current and call deposits

Barclays Bank plc - £ Business Premium a/c	236 077	
Barclays Bank plc - £ Call Deposit a/c	1 500 000	
The Bank of Tokyo-Mitsubishi Ltd - Current a/c	9 700	
Petty cash imprest a/c	<u>127</u>	
		<u>1 745 904</u>
		<u>79 265 275</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 2000 the purchase value of these supplies and equipment, including furniture and equipment purchased in connection with the relocation of the IOPC Funds' offices, amounts to £285 983 made up as follows:

	Office equipment	Office furniture	Library
Balance b/f	101 775	29 998	7 637
2000 Additions			
less disposals	60 879	80 498	5 196
Balance c/f	162 654	110 496	12 833

12 Contributions outstanding

Outstanding contributions due to the 1992 Fund as at 31 December 2000 totaled £470 163. A report on contributions outstanding for previous financial years is provided in Schedule I.

13 Payment due from 1971 Fund

As at 31 December 2000, an amount of £1 007 465 was due to the 1992 Fund by the 1971 Fund made up as follows:

	£
Payment due in relation to 1999 financial year	724 443
1971 Fund's share of joint Secretariat's expenses for 2000	1 178 034
Less: Net payments made by the 1971 Fund	(26 718)
Less: 1992/1971 inter fund account balance as at 31.12 2000	<u>(868 294)</u>
	<u>1 007 465</u>

As at 31 December 2000 the inter fund account shows a balance in favour of the 1971 Fund. This is due to the fact that contributions to the 1971 Fund received from certain contributors were off set against refunds made by the 1992 Fund from the *Osung N°3* Interim Major Claims Fund to the same contributors.

The amount of £724 443 due to the 1992 Fund by the 1971 Fund for the financial year 1999 was paid by the 1971 Fund on 27 February 2001.

14 Tax recoverable

The amount of £511 319 comprises the sum of £339 996 to be refunded to the 1992 Fund by the United Kingdom Government made up of VAT refund of £337 715 and Insurance Premium Tax and Airport Departure Tax refund totaling £2 281 and the amount of £171 323 relating to VAT refund due to the 1992 Fund by the French Government.

15 Miscellaneous receivable

The amount of £297 645 consists of the following amounts:

- (a) £280 950 due by the United Kingdom Government being the refund of 80% of the rent relating to the IOPC Funds' offices in Portland House;
- (b) £418 due from staff members in relation to travel advances in 2000;
- (c) £1 225 representing salary advances to be reimbursed by staff members in 2000 under Staff Rule IV.12;
- (d) £12 294 paid to BUPA for 2000 subscriptions to the health insurance scheme, 50% of which will be reimbursed by the staff members and 50% from the 2001 expenditure; and
- (e) £2 758 representing a payment due in respect of an insurance claim for damage to an office in Portland House.

16 Accounts payable

The amount of £27 738 consists of the following amounts:

- (a) £398 due to American Express Europe Ltd;
- (b) £22 890 representing the balance of accident insurance premium due but not paid till 2001;
- (c) £2 502 being National Insurance Contributions payable in January 2001; and
- (d) £1 948 representing reimbursements for travel expenses due to staff members.

17 Unliquidated obligations

The figure of £199 805 is made up of obligations incurred in 2000 but unliquidated at 31 December 2000

The unliquidated obligations consist of the following amounts:

- (a) £62 305 in respect of costs related to the relocation to IOPC Funds' offices;
- (b) £14 607 to the International Maritime Organization (IMO) in respect of rent and hospitality;
- (c) £59 240 in relation to the development of the IOPC Funds' web-site;
- (d) £7 376 for staff allowances;
- (e) £21 720 in relation to recruitment; and
- (f) £34 557 for miscellaneous supplies.

18 Prepaid contributions

The figure of £1 331 381 represents 2000 annual contributions to the General Fund of £222 373, to the *Nakhodka* Major Claims Fund of £278 267 and to the *Erika* Major Claims Fund of £830 741. That figure is made up of receipts from the following Member States:

	General Fund £	<i>Nakhodka</i> MCF £	<i>Erika</i> MCF £
Australia	1 069	5 804	3 667
China (HKSAR)	1 100	-	-
Germany	24 137	272 463	121 730
Netherlands	34 797	-	123 784
Spain	161 270	-	581 560
Total	222 373	278 267	830 741

19 Contributors' Account

The amount of £42 830 is the balance on the Contributors' Account after the deduction of amounts repaid to contributors or offset against annual contributions. The amount includes interest of £38 022 credited to contributors as provided in Internal Regulation 3.11.

20 **General Fund Balance**

The figure of £14 282 115 represents the excess of Income over Expenditure in respect of the General Fund and is arrived at as follows:

	£
Net assets at 1 January 2000	16 462 957
less: deficit 2000	<u>(2 180 842)</u>
	<u>14 282 115</u>

The balance of £14 282 115 is lower than the working capital which, at 31 December 2000, was £15 million, as decided by the Assembly.

* * *

SCHEDULE I

REPORT ON CONTRIBUTIONS DURING THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2000 AND ON CONTRIBUTIONS OUTSTANDING FOR PREVIOUS FINANCIAL PERIODS

1 Eleven States became Members of the 1992 Fund in 2000: China (Hong Kong SAR), Dominican Republic, Fiji, Italy, Mauritius, Panama, Poland, Seychelles, Sri Lanka, Tonga and Vanuatu, resulting in 50 states being members of the 1992 Fund as at 31 December 2000.

2 A comprehensive report on the payment of contributions as at 15 October 2000 was submitted to the Assembly at its 5th session (document 92FUND/A.5/11).

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 2000, by Member State, can be summarised as follows:

State	1996 £	1997 £	1998 £	1999 £	Total £
Algeria				11 220.16	11 220.16
Bahamas				75 837.75	75 837.75
Belgium				225 341.77	225 341.77
Denmark				3 841.48	3 841.48
Finland				8 384.39	8 384.39
Germany	2 305.55	1 888.58	11 528.64	9 622.30	25 345.07
Greece				40 797.80	40 797.80
Japan	2 808.31	1 556.21	6 280.86	13 834.34	24 479.72
Netherlands		1 621.57	3 073.01		4 694.58
Singapore				21 301.58	21 301.58
Sweden		214.34	1 249.37	17 491.99	18 955.70
United Kingdom				9 963.03	9 963.03
	5 113.86	5 280.70	22 131.88	437 636.59	470 163.03

ANNUAL CONTRIBUTIONS 1999
REIMBURSEMENT FROM OSUNG N°3 INTERIM MAJOR CLAIMS FUND AS AT 31.12.2000

State	Reimbursement £
<1> Algeria	-
Australia	228 604.26
<1> Bahamas	-
<1> Bahrain	-
<1> Barbados	-
<1> Belgium	-
<1> Belize	-
<1> Canada	-
<1> China(HKSAR)	-
<1> Croatia	-
<1> Cyprus	-
Denmark	48 331.32
<1> Dominican Republic	-
<1> Fiji	-
Finland	69 441.16
France	684 097.34
Germany	543 019.12
Greece	142 310.11
<1> Grenada	-
<1> Iceland	-
<1> Ireland	-
<1> Italy	-
<1> Jamaica	-
Japan	1 017 501.46
<1> Latvia	-
<2> Liberia	-
<2> Marshall Islands	-
<1> Mauritius	-
Mexico	76 221 64
<1> Monaco	-
<1> Netherlands	-
<1> New Zealand	-
Norway	199 483 39
<2> Oman	-
<1> Panama	-
<1> Philippines	-
<1> Poland	-
<1> Republic of Korea	-
<1> Seychelles	-
<1> Singapore	-
<1> Spain	-
<1> Sri Lanka	-
Sweden	152 390.71
<1> Tonga	-
<1> Tunisia	-
<1> United Arab Emirates	-
United Kingdom	587 843.35
<1> Uruguay	-

State	Reimbursement £
<1> Vanuatu	-
<1> Venezuela	-
Total	3 749 243.86

<1> Not a Member State at the time of the *Osung N°3* incident (3.4.1997)

<2> No liability for contributions to the *Osung N°3* Interim Major Claims Fund

ANNUAL CONTRIBUTIONS 1999
NAKHODKA MAJOR CLAIMS FUND AS AT 31.12.2000

State	Assessment £	Receipt £	Outstanding £	% Paid
<1> Algeria	-	-	-	-
Australia	632 104.29	632 104.29	0.00	100.00
<1> Bahamas	-	-	-	-
<1> Bahrain	-	-	-	-
<1> Barbados	-	-	-	-
<1> Belgium	-	-	-	-
<1> Belize	-	-	-	-
<1> Canada	-	-	-	-
<1> China(HKSAR)	-	-	-	-
<1> Croatia	-	-	-	-
<1> Cyprus	-	-	-	-
Denmark	133 638.95	129 797.47	3 841.48	97.13
<1> Dominican Republic	-	-	-	-
<1> Fiji	-	-	-	-
Finland	192 008.91	192 008.91	0.00	100.00
France	1 891 569.48	1 891 569.48	0.00	100.00
Germany	1 501 479.89	1 498 030.36	3 449.53	99.77
Greece	393 495.85	385 564.30	7 931.55	97.98
<1> Grenada	-	-	-	-
<1> Iceland	-	-	-	-
<1> Ireland	-	-	-	-
<1> Italy	-	-	-	-
<1> Jamaica	-	-	-	-
Japan	5 403 779.30	5 400 538.77	3 240.53	99.94
<1> Latvia	-	-	-	-
<2> Liberia	-	-	-	-
<2> Marshall Islands	-	-	-	-
<1> Mauritius	-	-	-	-
Mexico	210 757.33	210 757.33	0.00	100.00
<1> Monaco	-	-	-	-
<1> Netherlands	-	-	-	-
<1> New Zealand	-	-	-	-
Norway	551 583.33	551 583.33	0.00	100.00
<2> Oman	-	-	-	-
<1> Panama	-	-	-	-
<1> Philippines	-	-	-	-
<1> Poland	-	-	-	-
<1> Republic of Korea	-	-	-	-
<1> Seychelles	-	-	-	-
<1> Singapore	-	-	-	-
<1> Spain	-	-	-	-
<1> Sri Lanka	-	-	-	-
Sweden	421 369.33	420 977.83	391.50	99.91
<1> Tonga	-	-	-	-
<1> Tunisia	-	-	-	-
<1> United Arab Emirates	-	-	-	-
United Kingdom	1 625 421.48	1 615 458.45	9 963.03	99.39
<1> Uruguay	-	-	-	-

State	Assessment £	Receipt £	Outstanding £	% Paid
<1> Vanuatu	-	-	-	-
<1> Venezuela	-	-	-	-
Total	12 957 208.14	12 928 390.52	28 817.62	99.78

<1> Not a Member State at the time of the *Nakhodka* incident (2.1.1997)

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

ANNUAL CONTRIBUTIONS 1999
ERIKA MAJOR CLAIMS FUND AS AT 31.12.2000

State	Assessment £	Receipt £	Outstanding £	% Paid
Algeria	11 220.16	0.00	11 220.16	0.00
Australia	1 093 349.22	1 093 349.22	0.00	100.00
Bahamas	167 284.14	91 446.39	75 837.75	54.67
<1> Bahrain	-	-	-	-
Barbados	5 627.66	5 627.66	0.00	100.00
Belgium	276 694.98	51 353.21	225 341.77	18.56
<1> Belize	-	-	-	-
Canada	1 653 252.21	1 653 252.21	0.00	100.00
<2> China(HKSAR)	-	-	-	-
Croatia	118 728.00	118 728.00	0.00	100.00
Cyprus	66 596.66	66 596.66	0.00	100.00
Denmark	235 971.94	235 971.94	0.00	100.00
<2> Dominican Republic	-	-	-	-
<2> Fiji	-	-	-	-
Finland	388 357.78	379 973.39	8 384.39	97.84
France	3 670 986.81	3 670 986.81	0.00	100.00
Germany	2 425 163.63	2 418 990.86	6 172.77	99.75
Greece	785 422.46	752 556.21	32 866.25	95.82
<1> Grenada	-	-	-	-
<3> Iceland	-	-	-	-
Ireland	164 292.62	164 292.62	0.00	100.00
<2> Italy	-	-	-	-
Jamaica	89 542.32	89 542.32	0.00	100.00
Japan	9 369 767.02	9 359 173.21	10 593.81	99.89
<3> Latvia	-	-	-	-
<3> Liberia	-	-	-	-
<3> Marshall Islands	-	-	-	-
<2> Mauritius	-	-	-	-
Mexico	530 272.86	530 272.86	0.00	100.00
<3> Monaco	-	-	-	-
Netherlands	3 787 720.17	3 787 720.17	0.00	100.00
New Zealand	176 425.33	176 425.33	0.00	100.00
Norway	1 057 604.28	1 057 604.28	0.00	100.00
<3> Oman	-	-	-	-
<2> Panama	-	-	-	-
Philippines	594 936.29	594 936.29	0.00	100.00
<2> Poland	-	-	-	-
Republic of Korea	4 268 745.01	4 268 745.01	0.00	100.00
<2> Seychelles	-	-	-	-
Singapore	2 665 100.70	2 643 799.12	21 301.58	99.20
Spain	2 247 491.96	2 247 491.96	0.00	100.00
<2> Sri Lanka	-	-	-	-
Sweden	747 520.49	730 420.00	17 100.49	97.71
<2> Tonga	-	-	-	-
Tunisia	96 168.69	96 168.69	0.00	100.00
<3> United Arab Emirates	-	-	-	-
United Kingdom	2 853 695.43	2 853 695.43	0.00	100.00
Uruguay	63 598.99	63 598.99	0.00	100.00

State	Assessment £	Receipt £	Outstanding £	% Paid
<2> Vanuatu	-	-	-	-
Venezuela	271 678.00	271 678.00	0.00	100.00
Total	39 883 215.81	39 474 396.84	408 818.97	98.97

<1> Reports on contributing oil receipts in 1998 not submitted by 31.12.2000

<2> Not a Member State at the time of the *Erika* incident (12.12.1999)

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

**ANNUAL CONTRIBUTIONS OUTSTANDING FOR
PREVIOUS FINANCIAL PERIODS AS AT 31.12.2000**

General Fund and Major Claims Funds

State		Assessment £	Receipt £	Outstanding £
Germany	General Fund 1997	829 175.34	828 463.38	711.96
	General Fund 1998	477 374.74	475 861.24	1 513.50
	<i>Nakhodka</i> Major Claims Fund 1996	1 032 156.82	1 029 851.27	2 305.55
	<i>Nakhodka</i> Major Claims Fund 1998 1st levy	3 073 613.22	3 066 551.85	7 061.37
	<i>Nakhodka</i> Major Claims Fund 1998 2nd levy	1 285 691.30	1 282 737.53	2 953.77
	<i>Osung N°3</i> Interim Major Claims Fund 1997	512 147.17	510 970.55	1 176.62
Japan	General Fund 1996	1 924 992.50	1 923 330.86	1 661.64
	General Fund 1997	1 650 002.32	1 649 019.45	982.87
	General Fund 1998	2 213 517.71	2 212 151.14	1 366.57
	<i>Nakhodka</i> Major Claims Fund 1996	1 925 002.68	1 923 856.01	1 146.67
	<i>Nakhodka</i> Major Claims Fund 1998 1st levy	5 775 003.64	5 771 563.64	3 440.00
	<i>Nakhodka</i> Major Claims Fund 1998 2nd levy	2 475 003.50	2 473 529.21	1 474.29
Netherlands	<i>Osung N°3</i> Interim Major Claims Fund 1997	962 501.37	961 928.03	573.34
	General Fund 1997	147 909.12	146 287.55	1 621.57
	General Fund 1998	856 701.02	853 628.01	3 073.01
Sweden	General Fund 1997	239 358.63	239 277.83	80.80
	General Fund 1998	172 160.71	172 047.99	112.72
	<i>Nakhodka</i> Major Claims Fund 1998 1st levy	862 566.53	861 765.11	801.42
	<i>Nakhodka</i> Major Claims Fund 1998 2nd levy	360 811.29	360 476.06	335.23
	<i>Osung N°3</i> Interim Major Claims Fund 1997	143 726.94	143 593.40	133.54
Total		26 919 416.55	26 886 890.11	32 526.44

**Annual contributions not yet assessed due to non-submission of reports on
contributing oil receipts for relevant year as at 31 December 2000**

Bahrain General Fund (1998)

SCHEDULE II

REPORT ON PAYMENT OF CLAIMS FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2000

1 Financial Regulation 4.6 requires the Director to maintain a running record of all expenses incurred by the 1992 Fund in respect of each incident giving rise to claims against the Fund.

2 Expenditure incurred by the 1992 Fund during 2000 in respect of various incidents amounted to £29 980 207. This amount is made up as follows:

	£
General Fund	2 387 835
<i>Nakhodka</i> Major Claims Fund	<u>27 592 372</u>
	<u>29 980 207</u>

3 The General Fund claims related expenditure of £2 345 448 represents part of the first 4 million SDR of such expenditure in respect of the *Erika* incident.

4 In general, the position as at 31 December 2000 can be summarised as follows:

Incident	Year	Compensation £	Fees and related costs £	Other costs £	Total £
1 <i>German Incident</i>	2000	-	3 895	8	3 903
	1999	-	10 997	499	11 496
	Total to date	-	14 892	507	15 399
2 <i>Nakhodka</i>	2000	24 746 690	2 803 723	41 959	27 592 372
	1999	4 936 220	102 850	2 522	5 041 592
	Total to date	29 682 910	2 906 573	44 481	32 633 964
3 <i>Milad 1</i>	2000	-	3 961	-	3 961
	1999	35 145	4 888	31	40 064
	1998	-	-	51	51
	Total to date	35 145	8 849	82	44 076
4 <i>Erika</i>	2000	-	2 252 311	93 137	2 345 448
	1999	-	-	699	699
	Total to date	-	2 252 311	93 836	2 346 147
5 <i>Al Jaziah 1</i>	2000	-	23 218	361	23 579
	Total to date	-	23 218	361	23 579
6 <i>Slops</i>	2000	-	10 938	6	10 944
	Total to date	-	10 938	6	10 944
	Total to date	29 718 055	5 216 781	139 273	35 074 109

SCHEDULE III

DETAILS OF CONTINGENT LIABILITIES OF THE 1992 FUND AS AT 31 DECEMBER 2000

- 1 There are contingent liabilities of the 1992 Fund estimated at £172 476 000 in respect of eight incidents as at 31 December 2000.
- 2 Details of the contingent liabilities, given in rounded figures, are as follows.

Incident	Date	Compensation £	Other costs £	Total contingent liability £
1 Spill from unknown source in Germany	20.6.96	839 000	30 000	869 000
2 <i>Nakhodka</i>	2.1.97	52 900 000	2 000 000	54 900 000
3 <i>Mary Anne</i>	22.7.99	1 500 000	20 000	1 520 000
4 <i>Dolly</i>	5.11.99	1 400 000	40 000	1 440 000
5 <i>Erika</i>	12.12.99	108 000 000	5 000 000	113 000 000
6 <i>Al Jaziah I</i>	24.1.00	642 000	25 000	667 000
7 <i>Slops</i>	15.6.00	—	10 000	10 000
8 <i>Natuna Sea</i>	3.10.00	—	70 000	70 000
TOTAL		165 281 000	7 195 000	172 476 000

- 3 Out of these contingent liabilities, a total amount of £15.9 million has been liquidated as at 31 May 2001. This amount relates mainly to the payment of compensation in respect of the *Nakhodka* incident.
- 4 As regards the spill from an unknown source in Germany, the German authorities have taken legal action against the owner of the ship suspected responsible for the oil spill. The authorities have informed the 1992 Fund that, if their attempts to recover the cost of their clean-up operations from the shipowner were to be unsuccessful, they would claim against the 1992 Fund.
- 5 As for the *Nakhodka* incident, the total amount of the claims submitted exceed by far the amount available under the 1992 Fund Convention. The 1992 Fund will be liable to pay compensation over and above the total amount available under the 1971 Fund Convention (60 million SDR) up to 135 million SDR, ie for an amount of 75 million SDR. By 31 December 2000, the 1992 Fund had paid £29 682 910 in compensation.
- 6 Concerning the *Mary Anne*, the contingent liabilities have been set at the total amount of the claims presented, since the shipowner's insurer has indicated that the shipowner may have been in

breach of the insurance policy, that it is therefore the insurer's intention to direct further claims to the 1992 Fund and that the insurer may request the 1992 Fund to reimburse the insurer the amounts it has paid to claimants.

- 7 With respect to the *Dolly* incident the French Government intends to take measures to remove the cargo of bitumen from the sunken ship. The ship was not covered by any insurance, and it is unlikely that the shipowner has financial resources to pay these costs. The 1992 Fund will therefore probably have to reimburse the French Government for these costs, estimated at US\$950 000 – US\$1 500 000, to the extent they are reasonable. For the purpose of the contingent liabilities the total compensation arising out of this incident has been estimated at US\$2 million (£1 339 000).
- 8 Concerning the *Erika* incident, the total amount of the claims will exceed the amount available for compensation under the 1992 Conventions (135 million SDR, corresponding to FFr1 211 966 881). The 1992 Fund will be liable to pay compensation over and above the limitation amount applicable to the shipowner under the 1992 Civil Liability Convention, FFr84 247 733. The maximum amount payable by the 1992 Fund in compensation is therefore FFr1 127 719 148, which at the rate of exchange as at 31 December 2000 corresponds to £108 051 160.
- 9 The *Al Jaziah 1* incident occurred in the United Arab Emirates, which at the time of the incident was member of both the 1992 Fund and the 1971 Fund. The 1992 Fund Executive Committee and the 1971 Fund Administrative Council decided that the liabilities arising out of this incident should be distributed between the two Funds on a 50:50 basis.
- 10 The Executive Committee decided at its 8th session that the *Slops* should not be considered as a 'ship' for the purpose of the 1992 Civil Liability Convention and the 1992 Fund Convention and that these Conventions therefore did not apply to the incident. However, a Greek cleanup contractor has not accepted the Committee's decision and has indicated that he may pursue the matter in the Greek courts. So far, no claim has been submitted.
- 11 The *Natuna Sea* incident affected Singapore (party to the 1992 Civil Liability Convention and the 1992 Fund Convention), Malaysia (party to the 1969 Civil Liability Convention and the 1971 Fund Convention but not the 1992 Fund Convention) and Indonesia (party to the 1992 Civil Liability Convention but not to the 1992 Fund Convention). Although Indonesia is not a member of either Fund, claims for pollution damage in Indonesia under the 1992 Civil Liability Convention will compete with claims for pollution damage in Singapore under the same Convention and ultimately have a bearing on whether or not the 1992 Fund will be required to pay compensation for pollution damage in Singapore. It is not yet possible to predict whether the 1992 Fund will be called upon to pay any compensation arising out of this incident.
- 12 High amounts of lawyers and surveyors' fees have been included in the contingent liabilities in respect of the *Nakhodka* and *Erika* incidents. The amounts have been assessed on the basis of the likely volume of work to be carried out.
- 13 The incidents in respect of which over the years the 1992 Fund has been, or may be, obliged to make payments are set out in the 1971 and 1992 Fund's Annual Report 2000.