International Oil Pollution Compensation Fund, 1992

2019 Financial Review

1992 Fund

Financial Statements for the year ending 31 December 2019 and Auditor's Report and Opinion

2019

2019 Financial Statements and Auditor's Report and Opinion

International Oil Pollution Compensation Fund, 1992

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SECTION ONE

DIRECTOR'S COMMENTS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
1 JANUARY TO 31 DECEMBER 2019

1 Introduction

1.1 The International Oil Pollution Compensation Funds (IOPC Funds) are intergovernmental organisations which provide compensation for oil pollution damage resulting from spills of persistent oil from tankers. The International Oil Pollution Compensation Fund 1992 (1992 Fund), which entered into force on 30 May 1996, was set up under the 1992 Fund Convention and is the second tier in the international civil liability and compensation regime.

1.2 The first tier is the 1992 Civil Liability Convention (1992 CLC), which lays down the principle of strict liability of shipowners for oil pollution damage and creates a system of compulsory liability insurance. The shipowner is normally entitled to limit its liability to an amount which is linked to the tonnage of its ship. The 1992 Fund Convention establishes a regime for compensating victims when the compensation available under the Civil Liability Convention is inadequate and forms the second tier of compensation. Any State Party to the 1992 Civil Liability Convention may become Party to the 1992 Fund Convention and thereby become a Member of the 1992 Fund.

1.3 The maximum amount of compensation payable under the 1992 Conventions for any one incident is SDR 135 million[1] in respect of incidents occurring before 1 November 2003 and SDR 203 million for incidents occurring after that date. These amounts, which as at 31 December 2019 corresponded to some £142 million and £214 million respectively, include the sum which may be attributed to the shipowner or their insurer (Protection and Indemnity Club (P&I Club)).

1.4 The 1992 Fund has an Assembly composed of all Member States and an Executive Committee of 15 Member States elected by the Assembly. The Assembly is the supreme governing body of the organisation having, *inter alia*, the responsibility for financial matters. The main function of the Executive Committee is to approve settlement of claims for compensation when either the Director is not authorised to make settlements or when the Director seeks policy approval on specific aspects of a claim.

1.5 The 1992 Fund is financed by contributions paid by any person who has received in the relevant calendar year in excess of 150 000 tonnes of crude oil or heavy fuel oil (contributing oil) in ports or terminal installations in a Member State after carriage by sea. The levy of contributions is based on reports of oil receipts in respect of individual contributors, which are submitted to the Secretariat by governments of Member States.

1.6 At its February/March 2006 session, the 1992 Fund Assembly took note of a voluntary agreement, the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) 2006, under which the shipowner/P&I Clubs would reimburse the 1992 Fund for part of the compensation payable by the Fund under the 1992 Fund Convention. The effect of STOPIA 2006 is that the maximum amount of compensation payable by owners of all ships of 29 548 gross tonnage or less is SDR 20 million.

[1] The SDR (Special Drawing Right), the unit of account used in the Conventions referred to in paragraph 1.3, is valued on the basis of a basket of key international currencies and serves as the unit of account of the International Monetary Fund and a number of other intergovernmental organisations.

This voluntary agreement is applicable to the *Solar 1* incident which occurred in 2006, *Haekup Pacific* incident in 2013 and the *Trident Star* incident in 2016.

1.7 As at 31 December 2019, 115 States were Members of the 1992 Fund. A full list of current Member States of the 1992 Fund can be found on the Membership section of the IOPC Funds' website: www.iopcfunds.org.

2 Secretariat

2.1 The 1992 Fund has a Secretariat, based in London, headed by a Director. The 1992 Fund enjoys Privileges and Immunities under its Headquarters Agreement with the United Kingdom Government. The 1992 Fund Secretariat also administers the International Oil Pollution Compensation Supplementary Fund (Supplementary Fund). As at 31 December 2019, the Secretariat had 34 established posts.

2.2 The Director of the 1992 Fund is *ex officio* also the Director of the Supplementary Fund and is assisted by a Management Team in the day-to-day running of the Secretariat.

2.3 The Management Team consists of the Director, Deputy Director/Head of the Finance and Administration Department, the Head of the External Relations and Conference Department, the Head of the Claims Department, and the Legal Counsel. Related party disclosures in line with the International Public Sector Accounting Standards (IPSAS) requirements are included in the notes to the Financial Statements.

2.4 The 1992 Fund uses external consultants to provide advice on legal and technical matters as well as on matters relating to management.

2.5 In connection with a number of major incidents, the Fund and the shipowner's third-party liability insurer have established joint local claims offices to facilitate the efficient handling of the great number of claims submitted and to assist claimants generally.

2.6 Local claims offices were in operation in 2019 with respect to the *Prestige* and *Agia Zoni II* incidents. The local offices ensured smooth communication between the 1992 Fund and the claimants, technical experts, and lawyers with respect to claims and claims-related matters.

3 Governance

3.1 <u>Audit Body</u>

3.1.1 The governing bodies of the IOPC Funds have established a joint Audit Body for the two Funds composed of seven members elected by the 1992 Fund Assembly: six named individuals nominated by 1992 Fund Member States and one external expert with experience in audit matters nominated by the Chair of the 1992 Fund Assembly. The Chair of the Audit Body is elected by the 1992 Fund Assembly on a proposal by the Chair of the 1992 Fund Assembly.

3.1.2 In October 2017, the 1992 Fund Assembly elected a new Audit Body for a three-year term made up of the full complement of six members. Following the sad passing of the Chair of the Audit Body, the 1992 Fund Administrative Council appointed a new Chair at its session in April 2019. It also decided to create the post of Vice-Chair and appointed a Vice-Chair to serve until the end of the current term.

It further decided to allow the Audit Body to operate with five elected members and the external expert until the next regular session of the governing bodies in 2020.

3.1.3 The Audit Body normally meets three times a year; in 2019, it met in April, June and December.

3.2 Investment Advisory Body

3.2.1 The governing bodies of the IOPC Funds have established a joint Investment Advisory Body (IAB), consisting of three experts with specialist knowledge in investment matters appointed by the 1992 Fund Assembly to advise the Director on the Funds' investments.

3.2.2 The IAB normally meets four times a year; in 2019, it met in March, June, September and December.

3.3 Financial risk management

3.3.1 The IOPC Funds manage risk using a risk register consisting of two categories: operational risk and institutional risk. Operational risk has been sub-divided into five areas: finance and contributions; governance and management; compensation; safety and security; communications and publications. For each of these areas, sub-risks have been identified and the processes and procedures for their management have been mapped, assessed and documented. This exercise allows the IOPC Funds to prioritise key risks and to ensure that these risks have been adequately mitigated and managed. Annual reviews are conducted of the IOPC Funds' full risk register by management, and of the 'Key Risk Register' by the Audit Body.

3.3.2 The 1992 Fund has established a framework of internal control as set out in the Statement on Internal Control (see page 20).

3.3.3 The 1992 Fund's financial risk management policies focus on securing the Fund's assets, maintaining sufficient liquid assets for the operation of the Fund, avoiding undue currency risks and obtaining a reasonable return. Financial risk is managed using the Internal Investment and Hedging Guidelines approved by the Director, which have been developed in accordance with advice from the IAB. Established policies cover areas of financial risk such as foreign exchange, interest rate and credit risk, the use of financial instruments and the investing of excess liquid funds.

3.3.4 The 1992 Fund's credit risk is spread widely and its investment policy limits the amount of credit exposure to any one counterparty and includes minimum credit quality guidelines.

4 2019 Financial Highlights

4.1 In accordance with International Public Sector Accounting Standards (IPSAS), the Financial Statements for the 1992 Fund are produced on an entity basis. The 1992 Fund classifies its activities into the General Fund and Major Claims Funds and segment reporting of financial position and financial performance is provided in Note 25. Major Claims Funds are set up for incidents where expenditure for the incident exceeds SDR 4 million, with six Major Claims Funds in place at the beginning of 2019 for the *Prestige*, *Hebei Spirit*, *Volgoneft 139, Alfa I, Agia Zoni II* and *Nesa R3* incidents.

4.2 At an entity level the closing net asset position presented in Statement I amounted to £46 318 090 (*2018: £39 901 837*). This represents an increase of £6 416 253 from the opening balance on 1 January 2019 due to contributions levied and a lower amount of compensation payments expensed for the year. The working capital for 2019 was reduced to £17 million in line with the decision made by the Administrative Council in April 2017 (see document IOPC/APR17/9/1, paragraph 6.1.10) as set out in paragraph 7.1 of this document.

4.3 In 2019, the total revenue was some £15.8 million and the total expenditure was some £9.3 million.

4.4 The decrease in cash assets during 2019 reflects large payments made in 2019 in relation to the *Prestige* and *Hebei Spirit* incidents. The 1992 Fund's cash and cash equivalent assets at the end of the 2019 financial period, amounting to some £58 million (*2018: £109 million*), were mainly held in pounds sterling (50%) and US dollars (14%) in respect of the General Fund and *Hebei Spirit* incident and euros (36%) in respect of the *Prestige* and *Agia Zoni II* incidents and the General Fund.

4.5 With regard to contributions, the 1992 Fund Administrative Council decided in October 2018 to levy £5.9 million to the General Fund and £1.675 million to the *Alfa I* Major Claims Fund payable in 2019. It also decided to levy £26 million to the *Agia Zoni II* Major Claims Fund with £10 million payable by 1 March 2019 and £16 million, or part thereof, deferred for payment on 1 September 2019, if it proved necessary. The Director decided not to invoice the deferred levy of £16 million. In addition, the Administrative Council decided to reimburse £3.675 million to the contributors to the *Volgoneft 139* Major Claims Fund and to transfer on closure any balance from this Major Claims Fund to the General Fund. Outstanding contributions due to the 1992 Fund as at 31 December 2019 totalled some £1.4 million (some £1.6 million net of a provision of £0.2 million) representing 0.26% of the total amount levied of some £607 million since inception.

4.6 Other receivables, amounting to some £495 000, includes taxes such as VAT, recoverable from the United Kingdom, French and Spanish Governments of some £274 000. Accrued interest on investments amounts to £32 000. Accrued income of £21 800 includes £20 000 and £1 800 due from the P&I Clubs in relation to the joint costs in respect of the *Hebei Spirit* and *Prestige* incidents respectively.

4.7 Contributions-in-kind (£206 400) received in 2019 is the reimbursement received from the United Kingdom Government of 80% of the rent of the Secretariat offices in the International Maritime Organization (IMO) building.

4.8 Payment of compensation claims not previously provided for amounted to some £0.2 million during 2019, all of which related to the *Agia Zoni II* incident.

4.9 Claims-related expenditure incurred in 2019 amounted to some £2.1 million, with payments in respect of the *Agia Zoni II* incident of £0.9 million. Payments were also made in respect of the *Hebei Spirit* incident of £0.5 million and in respect of the *Prestige* incident of £0.4 million. Under the Memorandum of Understanding (MoU) with the International Group of P&I Clubs, the relevant P&I Clubs' share of joint costs in 2019 amounted to some £24 000, in respect of the *Hebei Spirit* and *Prestige* incidents. These amounts have been offset against claims-related expenditure.

5 Secretariat budget

5.1 The budget for the running of the Secretariat is prepared on a modified cash basis. Expenses for running the Secretariat were made under six chapters (Statement of Comparison of Budget and Actual Amounts — Statement V) as set out in the table below:

	Chapter	2019 Budget appropriations £	2019 Budget out-turn £	Underspend/ (overspend) as % of original budget appropriations
I	Personnel	3 123 585	2 988 381	4.3%
II	General services	754 900	577 043	23.6%
III	Meetings	130 000	80 906	37.8%
IV	Travel	150 000	140 637	6.2%
V	Other expenditure	474 092	448 349	5.4%
VI	Unforeseen expenditure	16 800	-	100.0%
	Total	**4 649 377**	**4 235 316**	**8.91%**

5.2 The total Secretariat expenses (excluding external audit fees) amounted to £4 235 316. This is £414 061 or 8.9% less than the revised 2019 budget appropriation of £4 649 377.

5.3 The budget appropriation approved by the 1992 Fund Administrative Council in October 2018 for 2019 was £4 692 577 for Chapters I-VI and £43 200 for Chapter VII; giving a total of £4 735 777. At its October 2019 session, the Assembly approved the transfer of £43 200 from Chapter VI (Unforeseen Expenditure) to Chapter VII (External Audit Fees) resulting in a revised budget appropriation for Chapters I-VI of £4 649 377.

5.4 Chapter I — Personnel

5.4.1 Expenditure under Personnel totalled £2 988 381 and covers salaries, separation/recruitment, staff benefits/allowances and training. The provision for employee benefits (as set out in paragraph 6.2) is not included in the budget out-turn figure.

5.4.2 Costs under this chapter makes up 71% of the total administrative expenditure.

5.5 Chapter II — General Services

5.5.1 Of the £577 043 spent within this chapter, some 28% related to office accommodation, 44% to IT (hardware, software, maintenance and connectivity) and 15% to public information (including website and publications costs).

5.5.2 The 1992 Fund Secretariat relocated to the IMO headquarters building in 2016. The term of the lease entered into with the IMO runs from 1 March 2016 and will expire on 25 October 2032. The rent has been fixed at £258 000 per annum with a break on 31 October 2024. The United Kingdom Government meets 80% of the costs related to the rental space of the Secretariat offices in the IMO headquarters building.

5.5.3 The budget out-turn includes the cost of purchase of fixed assets amounting to £41 898, whereas the Statement of Financial Performance (Statement II) includes instead the depreciation and amortisation cost of £22 460, in line with IPSAS requirements.

5.5.4 Costs under this chapter make up some 14% of the total administrative expenditure.

5.6 Chapter III — Meetings

5.6.1 In 2019, the IOPC Funds' governing bodies held six days of sessions over two meetings.

5.6.2 Costs under this chapter make up some 2% of the total administrative expenditure.

5.7 Chapter IV — Travel

5.7.1 Where possible, costs incurred by travel to various conferences and seminars and to hold workshops on claims handling is shared with travel in relation to incidents. Budgeting for travel is difficult as invitations for conferences and seminars are not normally provided in time to be included in the preparation of the budget.

5.7.2 Costs under this chapter make up some 3% of the total administrative expenditure.

5.8 Chapter V — Other expenditure

5.8.1 Expenses under this chapter include consultants' fees amounting to £204 392. Consultants' fees cover non-incident related studies and non-incident related legal fees. Under consultants' fees in 2019 are costs associated with identifying and implementing a new Enterprise Resource Planning (ERP) system for the Funds' accounting and contributions management, which is expected to be completed in 2020. The necessary transfer from Chapter I to meet this additional cost was approved by the Assembly at its session in October 2019.

5.8.2 Other costs under this chapter relate to the Audit Body and Investment Advisory Body amounting to £166 895 and £77 062 respectively.

5.8.3 Costs under this chapter make up some 10% of the total administrative expenditure.

5.9 Chapter VI — Unforeseen expenditure

In previous years the audit fee has covered the fee for the audit of the previous year's Financial Statements. In 2019 it was agreed with the External Auditor that the fee for the audit of the 2019 Financial Statements, undertaken in 2020, would be charged to the 2019 financial year, as set out in paragraph 5.3. This change is in order to recognise annual audit costs on an accruals basis. The additional audit fee of £43 200 was made by the transfer from this Chapter to Chapter VII as approved by the Assembly at its session in October 2019.

5.10 Chapter VII — External audit fees (1992 Fund expense only)

5.10.1 External audit fees for 2019 include the audit of the 1992 Fund's 2018 and 2019 Financial Statements and amounts to £43 200 per year. These fees are in accordance with the fee agreed with the External Auditor on appointment. As set out above, the additional year's fee was met by the transfer between chapters.

5.10.2 The expenses included in the Statement of Financial Performance (Statement II) are based on the requirements of the accounting standards. Total administrative expenses for 2019 were £4 544 678 (*2018: £4 366 349*) made up of staff and other personnel costs of £3 024 382 (*2018: £2 913 209*), and other administrative costs of £1 520 296 (*2018: £1 453 140*).

Expenses included	£
Statement of Financial Performance (Statement II)	**4 544 678**
Less:	
In accordance with IPSAS:	
Accommodation costs reimbursed by the United Kingdom Government	(206 400)
Depreciation and amortisation	(22 460)
New provision for employee benefits less prior year adjustment	(36 000)
1992 Fund expense only:	
External audit fees - Chapter VI	(86 400)
Add:	
Fixed asset purchase - Chapter II	41 898
Secretariat expenses - Chapters I-VI on budget basis (paragraph 5.1 above)	**4 235 316**

6 Other assets and liabilities

6.1 At its first session, the 1992 Fund Assembly instructed the Director to carry out the tasks necessary for the setting up of the International Hazardous and Noxious Substances Fund (HNS Fund) as requested by the HNS International Conference on the basis that any related expenses would be treated as loans from the 1992 Fund. An amount of £412 585 (*2018: £378 752*), including interest of £44 767, is due from the HNS Fund when it is established. It can be reasonably expected that this balance will be recovered due to progress towards entry into force of the 2010 HNS Convention.

6.2 Provision for employee benefits (short-term and long-term) of £605 801 (*2018: £569 801*) has been made for accrued annual leave and separation benefits.

6.3 The Contributors' account has a balance of £256 827 (*2018: £208 341*) made up of reimbursement of contributions in accordance with the Assembly's decisions and net overpayments by contributors. Contributors have been informed by the Secretariat of their credit balances but some contributors have decided to retain the amounts with the 1992 Fund, to be offset against the future levy of contributions.

6.4 The staff Provident Fund is made up of two elements, namely Provident Fund 1 (PF1), which is invested with the 1992 Fund assets and Provident Fund 2 (PF2), which is managed by an independent financial broker in the name of the 1992 Fund. Participation in PF2 is entirely voluntary and new staff members can only participate in PF2 after completing one year of service in the Secretariat. Investing in PF2 is to be made only from the cash balance available in PF1. There is no possibility of investing private funds in PF2. All fees paid by those participating in PF2 are based on the proportion of their investment in PF2.

6.5 As at 31 December 2019, the PF1 had a balance of £5 959 524 (*2018: £4 928 926*) on the accounts of staff members. This balance reflects contributions to the Provident Fund during the financial year, transfers to and from PF2, withdrawals and repayments of housing loans, withdrawals on separation, and interest earned of £148 624 (*2018: £167 926*) on the investment of the assets of the Provident Fund (see Note 14 to the Financial Statements).

6.6 A transfer of £55 000 was made by staff members from PF1 to PF2 in 2019. As at 31 December 2019 the value of the funds in PF2 was £1 368 529 (*2018: £1 189 224*).

7 General Fund and Major Claims Funds' balances

7.1 The General Fund balance on 31 December 2019 was £18 036 627 (*2018: £16 069 176*), showing an increase of some £2 million. The General Fund balance is higher than the working capital of £17 million set by the 1992 Fund Administrative Council at its October 2018 session for 2019. The working capital is established to ensure that the 1992 Fund is able to meet compensation and claims-related expenses which have not been foreseen and occur between the regular sessions of the governing bodies. There were no new incidents occurring in 2019 resulting in unforeseen expenses.

7.2 The *Volgoneft 139* incident was closed in 2018 and it was decided by the Administrative Council in October 2018 to close the *Volgoneft 139* Major Claims Fund in 2019, once £3.675 million was returned to contributors who paid into the Major Claims Fund, by 1 March 2019. Any subsequent balance on this Major Claims Fund would be transferred to the General Fund.

7.3 The balances on the respective Major Claims Funds on 31 December 2019, specific to incidents, are as follows:

Balances on Major Claims Funds, £	
Prestige Major Claims Fund	596 378
Hebei Spirit Major Claims Fund	5 655 035
Volgoneft 139 Major Claims Fund	42 877
Alfa I Major Claims Fund	453 113
Agia Zoni II Major Claims Fund	24 717 039
Nesa R3 Major Claims Fund	(3 182 979)

7.4 The contingent liabilities as at 31 December 2019 were estimated at some £36.8 million (*2018: £41.2 million*) in respect of 10 incidents (*2018: 11 incidents*). Further details on the incidents are provided in Note 26 to the 2019 Financial Statements.

7.5 A schedule of compensation and claims-related expenditure incurred in respect of open incidents involving the 1992 Fund is provided on page 11.

7.6 A summary of the total compensation and claims-related expenditure, on a cash basis (i.e. excluding provision), from both the General Fund (up to SDR 4 million) and the Major Claims Fund established for the incident, is as follows:

Incident	Date of incident	Compensation £	Claims-related expenses £	Total £
Prestige	13.11.02	106 621 900	24 499 275	**131 121 175**
*Solar 1**	11.08.06	6 491 623	282 695	**6 774 318**
Volgoneft 139	11.11.07	4 978 755	1 241 465	**6 220 220**
Hebei Spirit	07.12.07	117 299 805	37 201 486	**154 501 291**
Redfferm	30.03.09	-	79 241	**79 241**
*Haekup Pacific**	20.04.10	-	26 742	**26 742**
Alfa I	05.03.12	10 856 126	579 531	**11 435 657**
Nesa R3	19.06.13	6 703 800	385 351	**7 089 151**
*Trident Star**	24.08.16	-	62 870	**62 870**
Nathan E. Stewart (Incident in Canada)	13.10.16	-	16 078	**16 078**
Agia Zoni II	10.09.17	10 109 180	2 955 443	**13 064 623**

* Under STOPIA 2006

A detailed breakdown by year is provided on pages 12 to 16.

8 Sustainability

8.1 The 1992 Fund Convention provides the 1992 Fund Assembly the authority to levy contributions that may be required to balance the payments to be made by the 1992 Fund. It also places an obligation on the contributors to make payment by a due date or bear interest on any arrears.

8.2 Based on the net assets held at the end of the period and the generally high percentage of receipt of the contributions levied by the due date, the going concern basis has been adopted in preparing the 1992 Fund's Financial Statements.

9 External Auditor's recommendations from previous financial years

9.1 The External Auditor made no recommendations in 2019. Recommendations from previous financial years and the Director's response thereto are set out on pages 17–18.

9.2 Appropriate action has been/is being taken on all previous financial years' recommendations.

José Maura
Director
17 April 2020

10 Claims and claims-related expenditure as at 31 December 2019 (figures in pounds sterling)

Incident	Year	Compensation £	Legal fees £	Technical fees £	Various fees £	Other £	Total £
Prestige[2], 13 November 2002							
	2019	23 502 518	226 241	150 801	36 133	9 862	23 925 555
Reimbursement from P&I Club	2019	-	-	(20 027)	-	-	(20 027)
	2018	-	361 941	146 719	27 339	7 337	543 336
Reimbursement from P&I Club	2018	-	-	(19 484)	-	-	(19 484)
	2017	-	375 037	175 527	34 033	3 912	588 509
Reimbursement from P&I Club	2017	-	-	(23 310)	-	-	(23 310)
	2016	45 229	234 346	145 060	34 392	27 326	486 353
Reimbursement from P&I Club	2016	-	-	(19 264)	-	-	(19 264)
	2015	238	66 242	42 733	28 238	6 732	144 183
Reimbursement from P&I Club	2015	-	-	(5 887)	-	-	(5 887)
	2014	38 323	204 580	53 571	25 666	10 114	332 254
Reimbursement from P&I Club	2014	-	-	(6 895)	-	-	(6 895)
	2013	53 811	904 052	340 051	131 867	11 682	1 441 463
Reimbursement from P&I Club	2013	-	-	(50 124)	-	-	(50 124)
	2012	-	882 326	454 536	51 095	6 766	1 394 723
Reimbursement from P&I Club	2012	-	-	(55 821)	-	-	(55 821)
	2011	107 197	876 299	696 430	18 108	2 692	1 700 726
Reimbursement from P&I Club	2011	-	-	(92 062)	-	-	(92 062)
	2010	62 446	1 123 739	785 355	23 309	3 195	1 998 044
Reimbursement from P&I Club	2010	-	-	(119 399)	-	-	(119 399)
	2009	253 735	1 016 806	1 389 357	33 428	3 340	2 696 666
Reimbursement from P&I Club	2009	-	-	(218 703)	-	-	(218 703)
	2008	251 641	699 131	1 241 573	34 636	3 731	2 230 712
Reimbursement from P&I Club	2008	-	-	(171 669)	-	-	(171 669)
	2007	1 109 424	661 652	1 208 692	64 583	8 488	3 052 839
Reimbursement from P&I Club	2007	-	-	(20 153)	-	-	(20 153)
	2006	40 537 569	664 774	1 663 608	135 402	23 225	43 024 578
Reimbursement from P&I Club	2006	-	-	(1 000 000)	-	-	(1 000 000)
	2005	621 316	356 892	2 052 910	208 059	31 557	3 270 734
	2004	123 033	285 311	1 865 281	175 002	288 810	2 737 437
	2003	39 915 420	252 526	2 760 248	280 599	120 473	43 329 266
	2002	-	-	35 969	-	10 626	46 595
Total to date		**106 621 900**	**9 191 895**	**13 385 623**	**1 341 889**	**579 868**	**131 121 175**

Incident	Year	Compensation £	Legal fees £	Technical fees £	Various fees £	Other £	Total £
Solar 1, 11 August 2006 (Under STOPIA 2006)<3>							
	2019	-	18 824	-	-	-	18 824
	2018	-	17 746	-	-	-	17 746
	2017	-	18 255	-	377	24	18 656
	2016	-	6 588	-	-	33	6 621
	2015	-	9 503	-	-	12	9 515
	2014	-	10 156	-	-	-	10 156
	2013	-	6 843	-	-	12	6 855
	2012	-	18 272	656	-	6	18 934
	2011	-	10 270	-	-	6	10 276
	2010	17 798	8 692	635	-	897	28 022
Reimbursement from P&I Club	2010	-	-	-	-	(573)	(573)
	2009	390 508	33 077	3 800	-	7 294	434 679
Reimbursement from P&I Club	2009	-	-	-	-	(1 663)	(1 663)
	2008	281 908	-	-	-	10 990	292 898
Reimbursement from P&I Club	2008	-	(43 052)	-	(77 879)	(10 925)	(131 856)
	2007	3 835 532	46 658	0	80 677	67 167	4 030 034
	2006	1 965 877	-	-	248	39 069	2 005 194
Total to date		**6 491 623**	**161 832**	**5 091**	**3 423**	**112 349**	**6 774 318**
Volgoneft 139, 11 November 2007							
	2019	-	-	-	-	15	15
	2018	-	1 089	-	-	8	1 097
	2017	3 141 445	34 508	-	301	313	3 176 567
	2016	310 060	37 626	-	-	81	347 767
	2015	-	42 883	-	425	64	43 372
	2014	-	30 636	1 125	-	5 383	37 144
	2013	1 527 250	96 891	9 795	-	27 724	1 661 660
	2012	-	84 354	23 658	-	10 561	118 573
	2011	-	119 313	65 823	645	6 367	192 148
	2010	-	100 881	88 350	-	9 934	199 165
	2009	-	97 831	127 852	-	14 468	240 151
	2008	-	60 940	120 781	5 849	14 991	202 561
Total to date		**4 978 755**	**706 952**	**437 384**	**7 220**	**89 909**	**6 220 220**

Incident	Year	Compensation £	Legal fees £	Technical fees £	Various fees £	Other £	Total £
Hebei Spirit<4>, 7 December 2007							
	2019	33 188 143	506 347	8 334	29 109	12 973	33 744 906
Reimbursement from P&I Club	2019	-	-	(3 667)	-	-	(3 667)
	2018	(1 861)	923 635	32 487	2 018	38 130	994 409
Reimbursement from P&I Club	2018	-	-	(14 276)	-	-	(14 276)
	2017	48 147 120	721 150	145 908	5 553	23 589	49 043 320
Reimbursement from P&I Club	2017	-	-	(64 218)	-	-	(64 218)
	2016	24 064 868	1 431 530	767 394	-	79 157	26 342 949
Reimbursement from P&I Club	2016	-	-	(337 653)	-	0	(337 653)
	2015	11 901 535	1 585 233	2 221 723	-	390 507	16 098 998
Reimbursement from P&I Club	2015	-	-	(977 507)	-	-	(977 507)
	2014	-	1 499 185	1 652 666	-	53 866	3 205 717
Reimbursement from P&I Club	2014	-	-	(715 743)	-	(343)	(716 086)
	2013	-	933 971	1 194 111	-	45 725	2 173 807
Reimbursement from P&I Club	2013	-	-	(463 652)	-	-	(463 652)
	2012	-	306 560	3 132 934	-	62 972	3 502 466
Reimbursement from P&I Club	2012	-	-	-	-	(343)	(343)
	2011	-	512 816	4 211 595	-	155 240	4 879 651
Reimbursement from P&I Club	2011	-	-	-	-	(5 359)	(5 359)
	2010	-	287 299	5 907 901	-	150 818	6 346 018
Reimbursement from P&I Club	2010	-	-	(1 523)	-	(12 793)	(14 316)
	2009	-	2 332 643	5 072 399	31 312	110 021	7 546 375
Reimbursement from P&I Club	2009	-	-	(9 320)	-	(21 255)	(30 575)
	2008	-	248 382	2 903 118	156	96 682	3 248 338
	2007	-	-	-	-	1 989	1 989
Total to date		**117 299 805**	**11 288 751**	**24 663 011**	**68 148**	**1 181 576**	**154 501 291**
Redfferm, 30 March 2009							
	2019	-	5 850	-	-	-	5 850
	2018	-	3 600	-	-	-	3 600
	2017	-	1 675	-	-	-	1 675
	2016	-	2 425	-	-	209	2 634
	2015	-	-	-	-	-	0
	2014	-	1 625	-	-	35	1 660
	2013	-	24 850	6 978	-	292	32 120
	2012	-	7 125	11 827	-	12 750	31 702
Total to date		**-**	**47 150**	**18 805**	**-**	**13 286**	**79 241**

Incident	Year	Compensation £	Legal fees £	Technical fees £	Various fees £	Other £	Total £
Haekup Pacific, 20 April 2010							
	2019	-	6 344	-	-	36	6 380
	2018	-	236	-	-	-	236
	2017	-	4 029	-	-	39	4 068
	2016	-	8 526	-	424	129	9 079
	2015	-	0	-	-	-	-
	2014	-	0	-	-	-	-
	2013	-	6 975	-	-	4	6 979
Total to date		**-**	**26 110**	**-**	**424**	**208**	**26 742**
Alfa I, 5 March 2012							
	2019	-	18 803	-	-	2 034	20 837
	2018	-	56 666	364	-	10 521	67 551
	2017	-	174 540	4 197	251	10 483	189 471
	2016	10 856 126	112 062	12 375	1 161	7 918	10 989 642
	2015	-	23 212	20 333	-	2 749	46 294
	2014	-	66 998	19 155	405	2 598	89 156
	2013	-	7 976	725	-	68	8 769
	2012	-	14 103	6 477	522	2 835	23 937
Total to date		**10 856 126**	**474 360**	**63 626**	**2 339**	**39 206**	**11 435 657**
Nesa R3, 19 June 2013							
	2019	21 654	18 413	-	28 537	31 440	100 044
	2018	3 533 737	65 402	25 343	2 017	5 730	3 632 229
	2017	174 192	37 146	7 500	2 333	522	221 693
	2016	1 344 648	24 726	20 737	-	2 302	1 392 413
	2015	868 298	44 334	25 351	4 514	5 312	947 809
	2014	761 271	3 030	16 722	-	4 345	785 368
	2013	-	-	6 920	-	2 675	9 595
Total to date		**6 703 800**	**193 051**	**102 573**	**37 401**	**52 326**	**7 089 151**
Trident Star, 24 August 2016							
	2019	-	8 354	-	28 166	21	36 541
	2018	-	14 159	-	2 018	19	16 196
	2017	-	6 664	-	2 423	22	9 109
	2016	-	800	-	-	224	1 024
Total to date		**-**	**29 977**	**-**	**32 607**	**286**	**62 870**

Incident	Year	Compensation £	Legal fees £	Technical fees £	Various fees £	Other £	Total £
Nathan E. Stewart, 13 October 2016							
	2019	-	13 090	-	-	19	13 109
	2018<5>	-	2 969	-	-	-	2 969
Total to date		**-**	**16 059**	**-**	**-**	**19**	**16 078**
Agia Zoni II, 10 September 2017							
	2019	959 049	187 030	678 036	46 358	5 194	1 875 667
	2018	9 150 131	54 561	820 979	39 264	10 205	10 075 140
	2017	-	85 433	936 781	69 696	21 906	1 113 816
Total to date		**10 109 180**	**327 024**	**2 435 796**	**155 318**	**37 305**	**13 064 623**

<2> Joint costs reimbursement by P&I Club.

<3> Compensation payments reimbursed by the P&I Club under STOPIA 2006.

<4> USD 5 million (£3 137 550) received as a result of legal settlement between the 1992 Fund and the P&I Club with Samsung Heavy Industries and Samsung C&T Corporation. The amount is accounted under 'Other revenue' in 2012.

<5> Reported in 2018 as 'Incident in Canada', prior to becoming 1992 Fund incident *Nathan E. Stewart*

Note: Compensation paid in 2019 totalled £57 671 364 (Note 20).

11 FINANCIAL STATEMENTS 2018 — Recommendations

11.1 Recommendations made during the audit of the Financial Statements 2018 were made by BDO LLP (BDO), and the Director provided his response to the governing bodies at their October 2019 sessions.

11.2 Recommendation 1: Recognition of provisions

11.2.1 Issues have arisen relating to the nature of the *Agia Zoni II* incident and how provisions are assessed.

11.2.2 The claims report feature on the Claims Handling System (CHS) displays limited data for each claim. This makes it difficult to identify claims that should be provided for.

11.2.3 Consideration should be given to incidents to determine whether they display characteristics out of the 'normal' where the mainstream approach to provisions may not be appropriate. This should be part of the audit planning meeting, to discuss potential scenarios and their likelihood of arising in the future, and then as incidents arise.

11.2.4 We recommend the CHS to be modified so that reports show additional information such as claim date, assessed date and approved date.

Director's response (October 2019)

11.2.5 The IOPC Funds' accounting policy sets out when compensation provision is realised in the Financial Statements. Experts' assessments are the basis of the approval of claims which rests with the Secretariat. Experts' assessments of claims are reviewed by the Claims Department based on the Funds' admissibility criteria. It is the Secretariat that decides what is to be offered to claimants.

11.2.6 There are many instances where experts' assessments have required a reassessment. The recognition of a compensation provision therefore is based on the approval of the claim by the P&I Club and the Fund. If there is no P&I Club it is the Fund that approves the claim.

11.2.7 There is no P&I Club involved in the claims approval process in the *Agia Zoni II* incident and therefore, approval of claims is made only by the Fund. In relation to this incident, there have been claims that have been assessed provisionally by experts but at the time of preparing the Financial Statements and prior to signing them have not been approved by the Fund. Therefore, they have not been included in the provision.

11.2.8 The Director is of the view that these should not be included as provision. Inclusion of assessed claims will lead to subjectivity of what claims should or should not be included and potentially lead to having to adjust the provisions on a year-on-year basis and having to provide explanations for any adjustments. This could result in an over/under provision and will not provide an accurate representation.

11.2.9 Claims and potential future liability for an incident is disclosed in the Contingent Liability note which in the Director's view provides the stakeholders with a fuller picture. The Director notes that there is no P&I Club involved and that the Fund is paying compensation from the onset. He is happy to discuss with the External Auditor at the audit planning meeting, potential scenarios and to agree the approach to recognising provisions.

11.2.10 The report in the Claims Handling System (CHS) has been modified to include additional information to determine the provision to be included and was used to determine the 2019 compensation provision for the *Agia Zoni II* incident. A similar report was included in the old system, web-based claims management system (WCMS) at the time of the adoption of IPSAS in 2010.

Update on progress in 2019

11.2.11 At the Audit Planning meeting with the External Auditor in November 2019 and at the Audit Body meeting in December 2019, the accounting treatment for provisions was discussed and the 1992 Fund's accounting policy in respect of recognising compensation provisions was reviewed.

11.2.12 Following the meetings, the External Auditor concluded that there was no immediate need to amend the current accounting policy for compensation provision for the financial year 2019.

11.2.13 As set out in the 2018 Financial Statements and reported to the Assembly in October 2019, the report in the CHS has been modified to include additional information to determine the provision to be included. The report in the CHS was used to determine the 2018 compensation provision for the *Agia Zoni II* incident. A similar report was included in the old system, WCMS, at the time of the adoption of IPSAS in 2010.

12 FINANCIAL STATEMENTS 2016 — Recommendations and response

12.1 Recommendations made during the audit of the Financial Statements 2016 were made by BDO and the Director provided his response to the governing bodies at their October 2017 sessions.

12.2 Accounting for provision movements (including foreign currency transactions)

12.2.1 The Secretariat is currently undergoing a review of their accounting systems and processes, with a view to either upgrading or replacing their current accounting software. As part of this review, we recommend that management consider the need to specify functionality to include accounting for provision movements and foreign exchange gains and losses within the accounting system in real time. This will significantly reduce the level of manual effort required in accounting for these complex areas.

Director's response (October 2017)

12.2.2 The current accounting software was upgraded in 2006 when the Funds' financial reporting was under the United Nations Systems Accounting Standards (UNSAS).

12.2.3 With the subsequent adoption of the International Public Sector Accounting Standards (IPSAS) and development of the ORS for contributing oil receipts and the CHS, the management is simultaneously reviewing its accounting software requirements. An off-the-shelf package is viewed as most appropriate since the IPSAS follows similar principles to the International Financial Reporting Standards (IFRS) used by commercial institutions.

12.2.4 The Director welcomes the recommendation and will include it in the requirements capture for the new accounting software and will discuss with the External Auditor on the most appropriate package and timelines.

Update on progress in 2018

12.2.5 Moore Stephens provided advisory services during the third quarter of 2018 to facilitate the exercise of mapping business processes and identifying system requirements, which were then prioritised in terms of both importance and urgency. Moore Stephens made recommendations on the type of system which would meet IOPC Funds' requirements and identified potential vendors for the supply and implementation of the system. Following proposals provided by the potential vendors, a recommendation of a preferred vendor was made by Moore Stephens in the first quarter of 2019. The Secretariat was involved in the vendor selection process.

12.2.6 For several reasons, including preparation of accounts and contributor management, it was recommended that an Enterprise Resource Planning (ERP) system would be the most suitable software solution to enable the contributor management database and the accounting system (for multiple Major Claims Funds) to sit on one platform with seamless links.

12.2.7 The Secretariat has engaged a vendor to implement the new ERP system, which is envisaged to be in place by the end of 2019.

Update on progress in 2019

12.2.8 Accounting for provision movements and foreign exchange gains and losses have been included in the specifications for the accounting system within the ERP.

12.2.9 An update on the timetable and status of the implementation of the ERP system was reviewed by the Audit Body at its meeting in December 2019.

12.2.10 It was noted that the ERP system is being implemented by a third party 'Xpedition' and is now planned to go live in mid–2020. It was further noted that the current bespoke accounting and contribution system, Fundman, will continue to be used in 2020 and a decision will be made in consultation with the External Auditor as to whether closing balances or a complete set of 2020 transactions will be migrated from Fundman to the ERP system in 2020.

12.2.11 The Audit Body will be provided with a further update at its June 2020 meeting.

13 Scope of Director's responsibility

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

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

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

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

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

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

13.7 In 2019, the Director was assisted by a Management Team comprising of the Deputy Director/Head of the Finance and Administration Department, Head of the External Relations and Conference Department, Head of the Claims Department and the Legal Counsel, for the day-to-day running of the Secretariat.

14 Statement on the system of internal control

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

14.2 The Management Team normally meets on a weekly basis to exchange information and to brief the Director on matters that may require attention. The minutes of these, and any other meetings held by the Management Team to discuss substantive matters of policy and work, are held in the Director's office. These meetings provide the necessary forum where Management Team members entrusted with specific areas of responsibility can discuss issues including internal control and risks arising in the organisation. The Director obtains assurance from these meetings that there are sufficient internal controls in place and that the risks are mitigated and managed across the organisation.

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

14.4 The joint Investment Advisory Body (IAB) was also established by the IOPC Funds' governing bodies. It advises the Director on relevant procedures for investment and cash management controls and these are monitored by the IAB which provides the Director with further assurances regarding the internal controls that are in place in this area. The IAB also reviews the IOPC Funds' investments and foreign exchange requirements to ensure that reasonable investment returns are achieved without compromising the IOPC Funds' assets. The IAB also monitors, on an ongoing basis, the credit ratings of financial institutions and reviews the credit ratings of institutions which meet the IOPC Funds' investment criteria. The IAB meets quarterly with the Director and Secretariat and also, with the External Auditor via attendance at Audit Body meetings as requested and at least annually, in order to exchange information. The IAB reports to the 1992 Fund Assembly on an annual basis.

15 Risk management

15.1 The Director continued a review of the IOPC Funds' risk register to identify key risks across the Secretariat. These risks have been placed in two categories: operational risk and institutional risk. Operational risk has been sub-divided into five areas: finance and contributions; governance and management; compensation; safety and security; and communications and publications.

15.2 In 2019, the Management Team reviewed and assessed the sub-risks under these risk areas, following which the process and procedures for management of these risks were documented. This exercise allowed the IOPC Funds to prioritise the key risks and to ensure that these risks have been adequately mitigated.

15.3 The Key Risk Register is shared with the Audit Body at least annually, following the results of the annual risk management review and updates to the Register. The Audit Body and the Director jointly identified areas of risk for more in-depth analysis. The Audit Body has made valuable contributions to the organisation's risk management, which provides further assurance to the Director that the processes are effective. The Audit Body makes specific reference to these matters in its annual report to the governing bodies.

16 The risk and control framework

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

16.2 The Assembly adopts the Financial Regulations and Internal Regulations necessary for the proper functioning of the 1992 Fund.

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

17 Review of effectiveness

17.1 The review of the effectiveness of the system of internal control is carried out by the Director and through the work of the Audit Body and that of the External Auditor. Any recommendations made by the External Auditor, in its management letter and other reports, are considered and a plan is agreed to address any identified weakness and to ensure continuous improvement of the current system. The Assembly is updated annually on the status of these recommendations.

17.2 As part of the process of further enhancing the system of control, the Director commissioned an internal audit needs assessment, which was discussed with the Audit Body at its meeting in April 2018. The outline plan and the areas to be reviewed over a three-year period agreed with the Audit Body, should provide added assurances to the Director on the effectiveness of the internal controls in place. The first audit, which was undertaken on cybersecurity in November 2018, was reviewed by the Audit Body in December 2018.

17.3 In mid-2019, Mazars LLP was engaged to undertake the internal audit reviews following the merger of the previous firm with the External Auditor, BDO LLP in February 2019. A review of the Risk Management Framework was undertaken by Mazars LLP in late 2019 and will be reviewed by the Audit Body in June 2020.

17.4 The work of the Audit Body, the External Auditor and the internal audit reviews provided additional assurances that the infrastructure and management controls in place provided a stable and secure platform to support the ongoing functioning of the IOPC Funds

17.5 I am pleased to conclude that there existed an effective system of internal control for the financial year 2019.

José Maura
Director
17 April 2020

* * *

SECTION TWO

EXTERNAL AUDITOR'S REPORT AND OPINION

OPINION ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the International Oil Pollution Compensation Fund 1992 (the Fund) for the year ended 31 December 2019 which comprise the Statement of Financial Position, the Statement of Financial Performance, the Statement of Changes in Net Assets, the Statement of Cash Flows and the Statement of Comparison of Budget and Actual Accounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law including the Financial Regulations of the International Oil Pollution Compensation Fund 1992 (the Financial Regulations) and International Public Sector Accounting Standards (IPSASs).

In our opinion:

- the financial statements present fairly, in all material respects, the financial position of the International Oil Pollution Compensation Fund 1992 as at 31 December 2019 and of the results of its operations and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Fund's Financial Regulations and International Public Sector Accounting Standards; and
- accounting principles have been applied in the preparation of the financial statements on a basis consistent with that of the preceding period.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the IESBA Code of Ethics for professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – basis for accounting and use

In forming our opinion on the accounts, which is not modified, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Fund in complying with their financial reporting obligations. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Director is responsible for the other information. The other information comprises the information included in the annual report, including the Director's Comments on the Financial Statements and Statement on Financial Control, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on Regularity

In our opinion, in all material respects the revenue and expense have been applied to the purposes intended by the Fund's Assembly and the financial transactions conform to the Financial Regulations.

Responsibilities of the Director

The Director is responsible for the preparation of the financial statements and for such internal control as the Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

In preparing the financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Fund and enable the Director to ensure that the financial statements comply with the Fund regulations and IPSASs. The Director is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Director is responsible for ensuring that transactions of the Fund are in accordance with the Financial Regulations and legislative authority.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

External Auditor’s Report

In accordance with Article 14 of the Financial Regulations, we have also issued an External Auditor’s Report on our audit of the International Oil Pollution Compensation Fund 1992 financial statements.

Use of our report

This report is made solely to the Assembly of the International Oil Pollution Compensation Fund 1992 (the Assembly), as a body, in accordance with the Financial Regulations of the Fund and our engagement letter. Our audit work has been undertaken so that we might state to the Assembly those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Assembly as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

David Eagles, Partner
For and on behalf of **BDO LLP**
Ipswich, UK

20 April 2020

INTERNATIONAL OIL POLLUTION COMPENSATION FUNDS

1992 Fund and Supplementary Fund

Assembly Report for the year ended 31 December 2019

IDEAS | PEOPLE | TRUST

CONTENTS

WELCOME

Contents

We have pleasure in presenting our Assembly Report for both the 1992 Fund and Supplementary Fund.

This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two-way communication throughout the audit process.

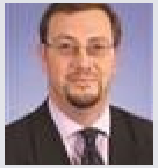
It summarises the results of completing the planned audit approach for the year ended 31 December 2019.

We look forward to presenting a summary of these matters to you at the planned Assembly meetings in November 2020.

We would also like to take this opportunity to thank the Secretariat for their co-operation and assistance provided during the audit.

David Eagles, Partner
for and on behalf of **BDO LLP**

27 May 2020



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OVERVIEW

Executive summary

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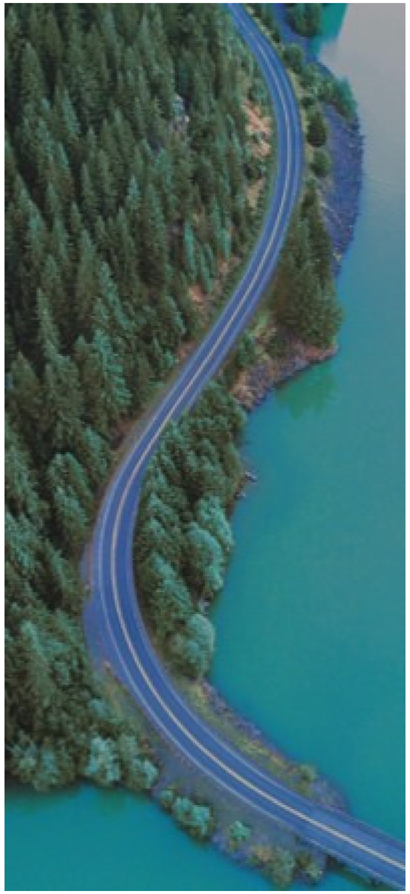
This summary provides an overview of the audit matters that we believe are important to the Assemblies in reviewing the results of the audits of the financial statements for the Funds for the year ended 31 December 2019.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

We issued unmodified audit opinions on both the 1992 Fund and Supplementary Fund financial statements for the year ended 31 December 2019 in line with the agreed timetable.

There were no significant changes to the planned audit approach and no additional significant audit risks were identified following our issue of our Audit Planning Report to the Audit Body in December 2019.

No restrictions were placed on our work.

We did not identify any significant control weaknesses and we are not aware of any suspected, alleged or actual fraud.

Our testing did not identify any adjusted or unadjusted audit differences.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the International Oil Pollution Compensation Funds in accordance with the FRC's Ethical Standard.

Financial reporting

We have not identified any non-compliance with applicable accounting frameworks.

No significant accounting policy changes were identified impacting the current year.

We did not identify any inconsistencies between the Director's Comments and the financial statements.

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Final Materiality

Materiality was determined based on a three year average of 4% of net assets, with a lower specific materiality of 2% on expenditure for both the 1992 and Supplementary Funds. This approach is consistent with previous years.

Materiality, based on net assets, was £1.84m in respect of the 1992 Fund and was £50,600 in respect of the Supplementary Fund

Specific materiality

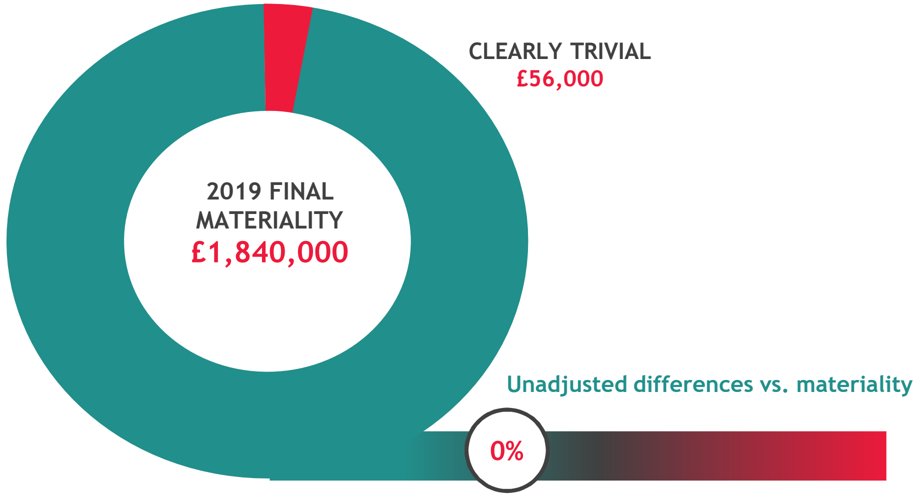
We applied a specific materiality using 2% of expenditure to be applied to both Funds income and expenditure (excluding non-cash movements in provisions). A specific materiality of £540,000 has been applied to the 1992 Fund and £700 to the Supplementary Fund.

Audit differences

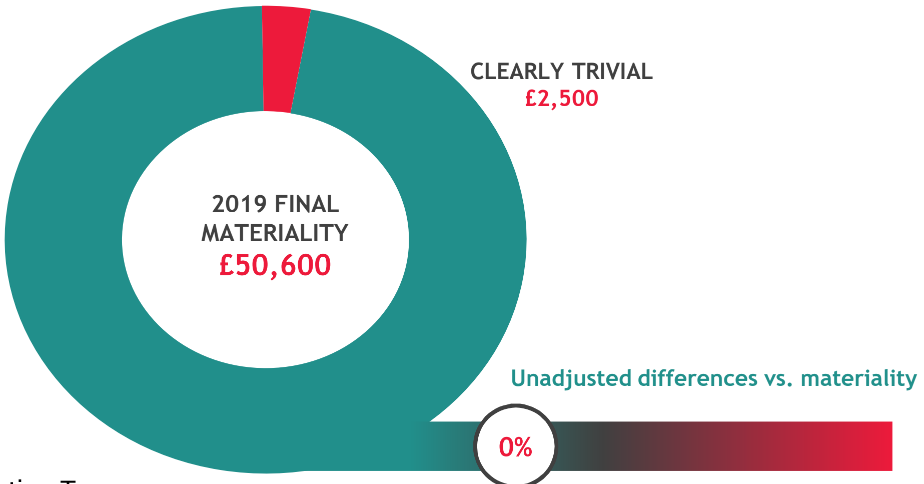
Our testing did not identify any adjusted or unadjusted audit differences.

This is a positive reflection of the effectiveness of the Secretariat’s financial management and financial reporting arrangements.

1992 Fund



Supplementary Fund



OVERVIEW

We assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

Audit Risk	Risk rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported
Management override of controls	Significant	No	No	None	None
Compensation payments, provisions and contingent liabilities	Significant	Yes	Yes	None	None
Revenue recognition	Normal	No	No	None	None

Contents

MANAGEMENT OVERRIDE OF CONTROLS

ISA (UK) 240 presumes that the Secretariat is in a unique position to perpetrate fraud.

- **Significant management judgement**
- **Use of experts**
- **Unadjusted error**
- **Adjusted error**
- **Additional disclosure required**
- **Significant Control Findings to be reported**

Risk description

The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.

Under International Standards on Auditing 240, there is a presumed significant risk of management override of the system of internal controls.

Details

Our response to this risk included:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewing accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud; and
- Obtaining an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.

Results and conclusion

No issues identified

Our audit work in relation to journals has not identified any issues in respect of inappropriate journal entries in the general ledger or adjustments made in the preparation of the financial statements.

We have not identified bias in accounting estimates.

See page 8 for our findings regarding the reasonableness of the significant management estimate in respect of the provisions and contingent liabilities in relation to compensation provisions.

No unusual transactions outside of the normal course of business were identified.

COMPENSATION PAYMENTS, PROVISIONS AND CONTINGENT LIABILITIES

There is a risk that experts used to assess compensation claims will not be sufficiently independent, objective or competent to carry out their role effectively and that provisions will not be appropriately recognised.

Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings to be reported	

Risk description

Key issues relating to claims provisions include determining the point at which a claim should be recognised and the validity and completeness of that claim. This is both an accounting treatment issue and one where IOPC Funds' decisions need to take account of input from external parties.

The IOPC Funds use technical experts in a variety of fields for the assessment of compensation claims prior to payment. The use of external experts introduces an inherent risk that the individuals or organisations engaged will not be sufficiently independent, objective or competent to carry out their role effectively.

Details

Our response to this risk included:

- Updating our understanding of the systems and processes in place for the appointment and monitoring of external experts;
- Testing a sample of claims paid during the year and claims in progress at the year-end;
- Reviewing the Secretariat's assessment of overall liability positions for larger incidents approaching Fund limits; and
- Testing the accuracy and completeness of the contingent liabilities disclosure.

Results and conclusion

Compensation payments and provisions

The value of provisions for major incidents has significantly reduced year on year as a result of compensation payments made for major incidents in 2019, paid out of 2018 provision:

Incident	2019 closing provision £'000	2018 closing provision £'000
Prestige	682	25,137
Hebei Spirit	2,255	37,254
Agia Zoni II	2,265	857
Nesa R3	0	22
TOTAL	**5,202**	**63,270**

All provisions in respect of the incidents shown in the table above were tested and no issues were identified as a result of our work.

All new provisions related to the Agia Zoni II incident. We have carried out substantive testing on a sample of claims paid during the year and a sample of claims provided for at the year end. For each claim sampled we reviewed supporting evidence such as legal findings and reports prepared by experts. We evaluated the methods used by the experts and the appropriateness of conclusions they reached and provisions made in the financial statements. We are satisfied that the provision treatment applied is appropriate.

COMPENSATION PAYMENTS, PROVISIONS AND CONTINGENT LIABILITIES

Continued

There is a risk that experts used to assess compensation claims will not be sufficiently independent, objective or competent to carry out their role effectively and that provisions will not be appropriately recognised.

Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings to be reported	

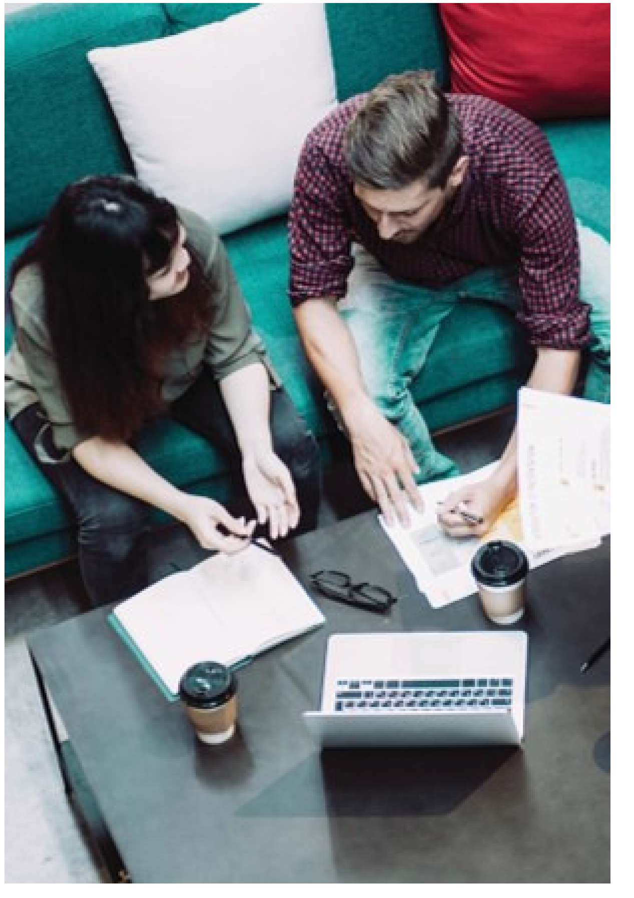
Results and conclusion continued

Contingent liabilities

We reviewed contingent liabilities disclosures and considered their accuracy and completeness in light of the results from our provisions testing and other information available. We have drawn on a number of sources to consider the completeness of provisions recognised and the contingent liabilities disclosed.

We obtained reports from the Claims Handling System (CHS) of claims received but not provided for and carried out focussed substantive testing on a sample to determine whether a liability should be recognised. We did not identify any further liabilities that require disclosure in the financial statements.

A court case relating to the Bow Jubail incident was due to take place on 10 March 2020, which intended to give more clarification on the incident's impact on IOPCF, but it was postponed. The contingent liabilities disclosure has been updated to reflect this and a contingent liability for legal fees of £50,000 has been included.



REVENUE RECOGNITION

Under International Standard on Auditing 240 "The Auditor's responsibility to consider fraud in an audit of financial statements" there is a presumption that income recognition presents a fraud risk.

Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings to be reported	

Risk description

Under International Standard on Auditing 240 "The Auditor's responsibility to consider fraud in an audit of financial statements" there is a presumption that income recognition presents a fraud risk. For the IOPC Funds, the risks can be identified as affecting the completeness, accuracy and existence of income.

Our understanding of the nature of the Funds' revenue streams has enabled us to confirm that the presumption that this is a significant audit risk can be rebutted.

We therefore do not consider the risk in relation to revenue recognition to be significant and carried out a "normal" level of audit testing in this area.

Details

Our response to this risk included:

- Testing the Funds' calculation of levy per tonne of contributing oil, to check whether these are in line with the total levy agreed by the Fund Assembly;
- Testing a sample of contribution income amounts to check whether these were correctly calculated, billed and either received by the Fund or recorded as receivable as at the year-end; and
- Testing a sample of interest income transactions to check whether these have been correctly received and recorded.

Results and conclusions

No issues were identified in respect of the testing of the calculation of the levy per tonne of contributing oil. The calculation is based upon reports received at the time, with estimates made in respect of the oil reports not yet submitted by member states.

Our testing of a sample of individual contributions recognised in the year did not identify any issues.

No issues were identified in respect of our testing of interest income.

OTHER REPORTING MATTERS

Contents

Regularity

We are required to give an opinion on whether, in all material respects, the Funds' expenditure and income have been applied to the purposes intended by the Funds' Assemblies and in accordance with the Funds' Financial Regulations.

Results and conclusions

We have considered the issue of regularity throughout our audit testing. This included gaining an understanding of the Financial Regulations, and designing audit procedures accordingly.

No issues have been identified in respect of regularity, and no evidence that Financial Regulations have been breached.

Other information

We are required to report on whether the other information published with the financial statements is not misleading or inconsistent with the financial statements and the knowledge acquired by us during the course of our audit.

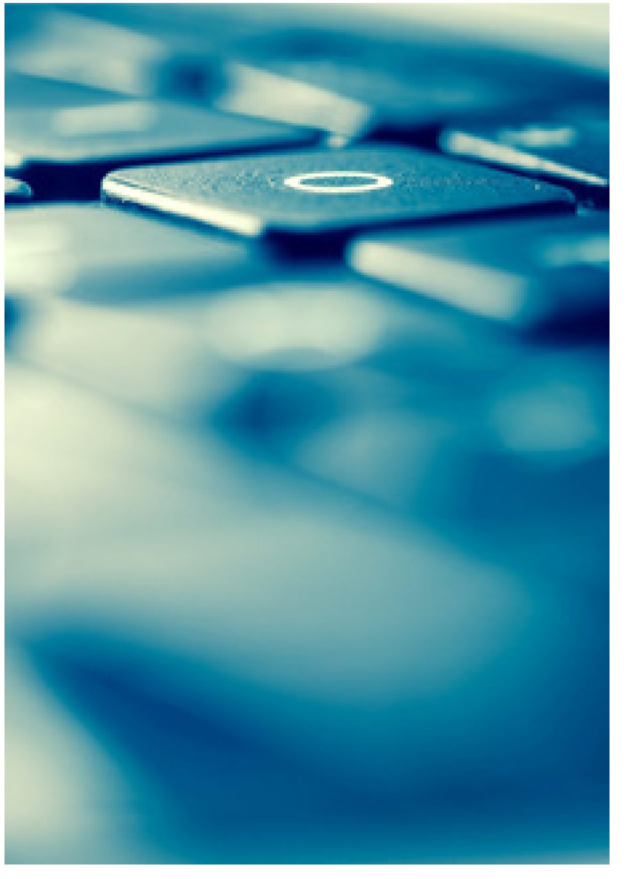
Results and conclusions

We have reviewed the other information, including the Director's Comments, and have not identified any inconsistencies with the financial statements and our audit knowledge.

Going concern

We have nothing to report in respect of the Funds' assessment of the applicability of the going concern basis of accounting or the Funds' ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements or of which we are aware that we need to draw attention to in our report.



CONTROL ENVIRONMENT: FOLLOW UP OF PRIOR YEAR RECOMMENDATIONS

Area	Issue and impact	Original recommendation	Management response	Progress
Accounting system limitations relating to provisions movements	The Funds account for compensation provision movements as a year-end exercise, rather than on an ongoing basis throughout the year. This means it is difficult to prepare a movement in provisions note without significant manual effort. Also, the financial statements had not historically been fully compliant with IPSAS requirements in respect of the preparation of a movement in provisions note, or the classification of foreign exchange gains and losses arising from these transactions. The Funds' current accounting system does not include functionality to allow transactions to be recorded in multiple currencies. Such functionality would potentially allow some of the more complex accounting required to be automated.	The Secretariat is currently undergoing a review of their accounting systems and processes, with a view to either upgrading or replacing their current accounting software. As part of this review, we recommend that management consider the need to specify functionality to include accounting for provision movements and foreign exchange gains and losses within the accounting system in real time. This will significantly reduce the level of manual effort required in accounting for these complex areas.	Accounting for provision movements and foreign exchange gains and losses have been included in the specifications for the accounting system within the ERP. An update on the timetable and status of the implementation of the ERP system was reviewed by the Audit Body at its meeting in December 2019. It was noted that the ERP system is being implemented by a third party 'Xpedition' and is now planned to go live in mid-2020. It was further noted that the current bespoke accounting and contribution system, Fundman, will continue to be used in 2020 and a decision will be made in consultation with the External Auditor as to whether closing balances or a complete set of 2020 transactions will be migrated from Fundman to the ERP system in 2020.	Ongoing.

CONTROL ENVIRONMENT: FOLLOW UP OF PRIOR YEAR RECOMMENDATIONS

Area	Issue and impact	Original recommendation	Management response	Progress
Recognition of provisions	Issues have arisen relating to the nature of the Agia Zoni II incident and how provisions are assessed. The claims report feature on the Claims Handling System (CHS) displays limited data for each claim. This makes it difficult to identify claims that should be provided for.	Consideration should be given to incidents to determine whether they display characteristics out of the "normal" where the mainstream approach to provisions may not be appropriate. This should be part of the audit de-brief, to discuss potential scenarios and their likelihood of arising in the future, and then as incidents arise. CHS to be modified so that reports show additional information such as claim date, assessed date and approved date.	At the Audit Planning meeting with the External Auditor in November 2019 and at the Audit Body meeting in December 2019 the accounting treatment for provisions was discussed and the 1992 Fund's accounting policy in respect of recognising compensation provisions was reviewed. Following the meetings, the External Auditor concluded that there was no immediate need to amend the current accounting policy for compensation provision for the financial year 2019. As set out in the 2018 Financial Statements and reported to the Assembly in October 2019 the report in the Claims Handling System (CHS) has been modified to include additional information to determine the provision to be included. The report in the CHS was used to determine the 2018 compensation provision for the Agia Zoni II incident. A similar report was included in the old system WCMS at the time of the adoption of IPSAS in 2010.	Implemented. Continue to review as new provisions arise.

CONTROL ENVIRONMENT: FOLLOW UP OF PRIOR YEAR RECOMMENDATIONS

Continued

Contents

Area	Issue and impact	Original recommendation	Management response	Progress
Generic accounts in CHS	Through our testing of IT general controls we noted five generic user accounts within CHS that were created for initial system testing. We have been told that only the IT Manager, has access to these accounts. One of the accounts has the ability to create other users and to change existing users' access privileges. There is a risk that generic user accounts could be used to make malicious or fraudulent changes to the system. The accounts are a means of accessing and editing sensitive data that currently serves no practical purpose. Over time there can be a tendency to lose track of who has access to generic user accounts.	We recommend deleting or disabling these generic accounts.	There exists an audit trail of all accounts created and deleted, and changes made by any account holder. The list of account holders is reviewed especially at the time when users are added or deleted.	Implemented

CONTROL ENVIRONMENT: FOLLOW UP OF PRIOR YEAR RECOMMENDATIONS

Continued

Area	Issue and impact	Original recommendation	Management response	Progress
Authorisation of compensation offers	After a claim has been assessed by an external expert, a Claims Manager decides whether to approve the claim. The Funds' policy requires a second member of staff to authorise an offer to be made to the claimant. When we attempted to confirm the implementation of this control, we found an offer had been made to a claimant but there was no evidence of a second authorisation. We understand that the claim was discussed with other members of the Secretariat and that it was verbally approved before the letter was sent. We are satisfied that several authorisations were obtained before the claim was actually paid. There is a risk of the Funds being liable to make an inappropriate payment to a claimant if offers are not checked and authorised by a second individual.	That all offers of compensation are checked and authorised by a second member of the Secretariat.	In accordance with the Internal Regulation of the IOPC Funds, the Director has delegated authority to Claims Managers and to the Head of Claims for the approval of claims. It is the practice that discussions take place within the Claims Department prior to claims being approved. Not only for instances where the staff members approval limit is exceeded, it is now the practice that the claim is discussed with the Head of Claims/Director prior to the claimant being made an offer. For completeness and to evidence the working practice of claims approval the claim is now authorised by a second staff member.	Implemented

INDEPENDENCE

Contents

Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 December 2019.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our planning report.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Funds.

We also confirm that we have obtained confirmation of independence from non-BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of IOPCF.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

APPENDICES CONTENTS

OUR RESPONSIBILITIES

Responsibilities and reporting

Contents

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to those charged with governance.

We read and consider the ‘other information’ contained in the Director’s Comments. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We also form an opinion on whether revenue and expense have been applied for the purposes intended by the IOPC Funds’ Assemblies.

What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Audit Body and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

AUDIT QUALITY

Contents

BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives) , monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team) , QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies) , the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

AQR RESULTS 2018/19

BDO Performance

Overview

The FRC released their Audit Quality Review results for the 7 largest accountancy firms in July 2019 for the review period 2018/19. A copy of all of the reports can be found on the FRC Website. We are very proud of our results in this review period where, for the second year running, 7 of the 8 files reviewed were assessed as either good or requiring only limited improvements.

Firm's Results

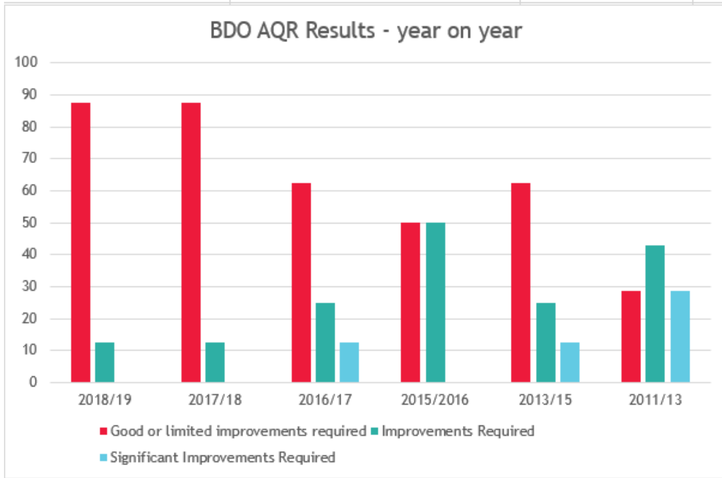
The graphs demonstrate our performance in relation to the other 6 largest firms and our continuous improvements and maintenance of that improvement over the last 6 review periods.

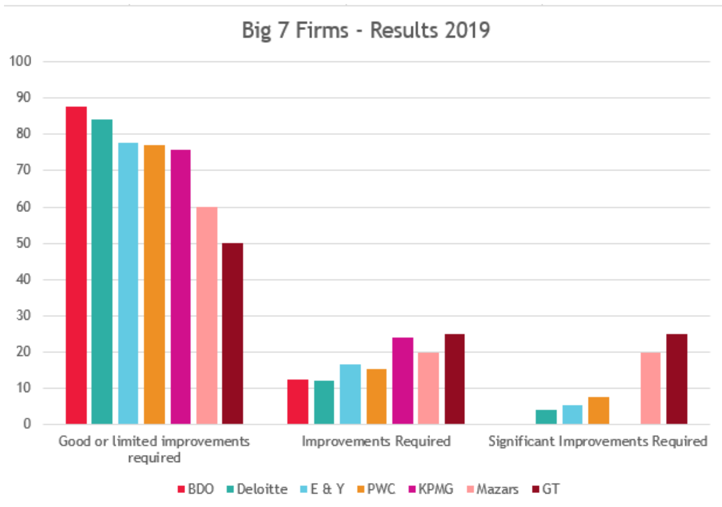
We include details of our model 'The Cycle of Continuous Improvement'. We acknowledge that the firm has performed well over the last few years however we are not complacent and need a strong process in place to maintain this high level of audit quality and deal rapidly and effectively with issues as they arise. This also highlights how our program of root cause analysis plays an important role in high audit quality.

We would encourage you to read our report which includes:

- details of the root cause analysis we have been undertaking to address issues raised;
- the actions we have/are undertaking to address the issues raised by the AQR; and
- a number of areas of good practice the AQR review team identified whilst undertaking their review.

More details will be included in our Transparency Report which will be available on our www.bdo.co,uk





FOR MORE INFORMATION:

David Eagles

t: 01473 320728
e: David.Eagles@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award-winning UK member firm of BDO International, the world's fifth-largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

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SECTION THREE

THE FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that to the best of our knowledge and information, all transactions during the period have been properly entered in the accounting records and that these transactions together with the appended Financial Statements numbered I to V and notes, details of which form part of this document, fairly present the financial position of International Oil Pollution Compensation Fund 1992 as at 31 December 2019.

José Maura Director	Ranjit S P Pillai Deputy Director/Head of Finance and Administration Department

17 April 2020

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992

STATEMENT I

Statement of Financial Position

At 31 December 2019

	Note	31-Dec-19 £	*31-Dec-18* *£*
ASSETS			
Current assets			
Cash and cash equivalents	2	57 536 485	*108 830 949*
Contributions receivable	3, 5	1 388 353	*229 608*
Other receivables	4, 5	495 058	*526 807*
Staff Provident Fund (externally managed)	14	1 368 528	*1 189 224*
Total current assets		**60 788 424**	***110 776 588***
Non-current assets			
Due from HNS Fund	6	412 585	*378 752*
Property, plant and equipment	7	58 376	*38 939*
Intangible assets	8	-	-
Total non-current assets		**470 961**	***417 691***
TOTAL ASSETS		**61 259 385**	***111 194 279***
LIABILITIES			
Current liabilities			
Payables and accruals	9	422 855	*533 468*
Provision for compensation	10	5 202 588	*63 270 343*
Provision for employee benefits (short-term)	11	235 395	*208 424*
Prepaid contributions	12	1 125 171	*592 339*
Contributors' account	13	256 827	*208 341*
Total current liabilities		**7 242 836**	***64 812 915***
Non-current liabilities			
Staff Provident Fund	14	7 328 053	*6 118 150*
Provision for employee benefits (long term)	11	370 406	*361 377*
Total non-current liabilities		**7 698 459**	***6 479 527***
TOTAL LIABILITIES		**14 941 295**	***71 292 442***
NET ASSETS		**46 318 090**	***39 901 837***
BALANCES		***31-Dec-19***	***31-Dec-18***
General Fund		18 036 627	*16 069 176*
Prestige Major Claims Fund		596 378	*995 274*
Hebei Spirit Major Claims Fund		5 655 035	*5 327 564*
Volgoneft 139 Major Claims Fund		42 877	*3 716 864*
Alfa I Major Claims Fund		453 113	*(1 313 257)*
Agia Zoni II Major Claims Fund		24 717 039	*18 211 370*
Nesa R3 Major Claims Fund		(3 182 979)	*(3 105 154)*
GENERAL FUND & MAJOR CLAIMS FUNDS (MCFs) BALANCES	**15**	**46 318 090**	***39 901 837***

Notes are found on pages 53–85

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992

STATEMENT II

Statement of Financial Performance

For the year ended 31 December 2019

		2019	*2018*
	Note	£	*£*
REVENUE			
Contributions	17	14 854 228	*27 075 571*
Contributions-in-kind	18	206 400	*206 400*
Interest on investments		586 700	*872 488*
Other revenue	19	110 653	*159 405*
Total revenue		**15 757 981**	***28 313 864***
EXPENSES			
Compensation claims	20	2 396 539	*31 314 654*
Claims-related expenses	21	2 052 670	*2 655 261*
Personnel costs	22	3 024 382	*2 913 209*
Other administrative costs	22	1 520 296	*1 453 140*
Currency exchange differences	24	338 502	*(950 482)*
Amounts added to provision for contributions and interest, less amounts received	5	9 339	*(4 362)*
Total expenses		**9 341 728**	***37 381 420***
(DEFICIT)/SURPLUS FOR THE YEAR		**6 416 253**	***(9 067 556)***

Notes are found on pages 53–85

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992

STATEMENT III

Statement of Changes in Net Assets

For the year ended 31 December 2019

		Accumulated surpluses / Fund balances							
		General Fund	*Prestige* MCF	*Hebei Spirit* MCF	*Volgoneft 139* MCF	*Alfa I* MCF	*Agia Zoni II* MCF	*Nesa R3* MCF	Total
	Note	£	£	£	£	£	£	£	£
TOTAL NET ASSETS at 31 December 2017		**21 704 555**	**1 500 214**	**23 374 492**	**3 725 001**	**(1 334 869)**	**-**	**-**	**48 969 393**
Surplus/(deficit) for the year ended 31 December 2018	25	(5 635 379)	(504 940)	(18 046 928)	(8 137)	21 612	18 211 370	(3 105 154)	(9 067 556)
TOTAL NET ASSETS at 31 December 2018	**25**	**16 069 176**	**995 274**	**5 327 564**	**3 716 864**	**(1 313 257)**	**18 211 370**	**(3 105 154)**	**39 901 837**
Surplus/(deficit) for the year ended 31 December 2019	25	1 967 451	(398 896)	327 471	(3 673 987)	1 766 370	6 505 669	(77 825)	6 416 253
TOTAL NET ASSETS at 31 December 2019	**25**	**18 036 627**	**596 378**	**5 655 035**	**42 877**	**453 113**	**24 717 039**	**(3 182 979)**	**46 318 090**

Notes are found on pages 53–85

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992

STATEMENT IV

Statement of Cash Flow

For the year ended 31 December 2019

	Note	2019 £	*2018 £*
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(deficit) for the period		6 416 253	*(9 067 556)*
Adjustment for:			
Interest on investment [1]		(586 700)	*(872 488)*
Unrealised foreign exchange (gains)/losses		(1 131 062)	*(1 019 060)*
Depreciation and amortization	7, 8	22 460	*35 716*
		4 720 951	***(10 923 388)***
(Increase)/decrease in receivables	3, 4, 5, 6, 14	(1 340 015)	*(134 725)*
Increase/(decrease) in payables & accruals	9, 13	(64 199)	*(960 230)*
Increase/(decrease) in provisions	10, 11	(58 252 171)	*18 643 715*
Increase/(decrease) in Provident Fund (less interest)	14	1 061 280	*393 591*
Increase/(decrease) in prepaid contributions	12	532 832	*(308 615)*
Net cash flow from operating activities		**(53 341 322)**	***6 710 348***
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned [2]		737 396	*1 041 901*
Increase in property, plant and equipment	7	(41 898)	*(5 373)*
Net cash flow from investing activities		**695 498**	***1 036 528***
Net (decrease)/increase in cash and cash equivalents		**(52 645 824)**	***7 746 876***
Cash and cash equivalents at beginning of the year		108 830 949	*99 424 123*
Exchange (losses)/gains on cash and cash equivalents		1 351 360	*1 659 950*
Cash and cash equivalents at end of the year	2	**57 536 485**	***108 830 949***

Notes are found on pages 53–85

[1] Interest earned from investing the assets of the General Fund.

[2] Interest earned from investing the assets of the General Fund and credit balances held by contributors.

INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992 — STATEMENT V
GENERAL FUND — JOINT SECRETARIAT EXPENDITURE
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 31 December 2019

	CLASS OF EXPENDITURE	NOTE	BUDGET APPROPRIATIONS		REVISED BUDGET APPROPRIATIONS		BUDGET OUT-TURN		BALANCE OF APPROPRIATIONS	
			2019	*2018*	2019	*2018*	2019	*2018*	2019	*2018*
			£	*£*	£	*£*	£	*£*	£	*£*
I	PERSONNEL									
a	Salaries		2 185 699	*2 160 678*	2 131 307	*2 160 678*	2 119 807	*2 028 664*	11 499	*132 014*
b	Separation and recruitment		40 000	*40 000*	40 000	*40 000*	900	*3 298*	39 100	*36 702*
c	Staff benefits, allowances and training		932 278	*931 030*	932 278	*931 030*	865 924	*851 347*	66 354	*79 683*
d	Conscious rewarding scheme		20 000	*20 000*	20 000	*20 000*	1 750	*9 250*	18 250	*10 750*
			3 177 977	***3 151 708***	**3 123 585**	***3 151 708***	**2 988 381**	***2 892 559***	**135 204**	***259 149***
II	GENERAL SERVICES									
a	Office accommodation		183 600	*185 100*	183 600	*161 511*	163 670	*161 511*	19 930	*-*
b	IT (hardware, software, maintenance and connectivity)		363 300	*242 500*	363 300	*254 005*	255 605	*254 005*	107 695	*-*
c	Furniture and other office equipment		16 000	*21 100*	16 000	*21 100*	9 944	*14 715*	6 056	*6 385*
d	Office stationery and supplies		10 000	*10 000*	10 000	*10 000*	9 101	*6 863*	899	*3 137*
e	Communications (courier, telephone, postage)		29 000	*32 000*	29 000	*22 705*	22 531	*22 182*	6 469	*523*
f	Other supplies and services		23 000	*21 000*	23 000	*21 000*	17 344	*20 700*	5 656	*300*
g	Representation (hospitality)		20 000	*20 000*	20 000	*24 315*	14 220	*24 315*	5 780	*-*
h	Public information		110 000	*118 000*	110 000	*135 063*	84 628	*135 063*	25 372	*-*
			754 900	***649 700***	**754 900**	***649 700***	**577 043**	***639 355***	**177 857**	***10 345***
III	MEETINGS		**130 000**	***110 000***	**130 000**	***110 000***	**80 906**	***98 569***	**49 094**	**11 431**
IV	TRAVEL									
	Conferences, seminars and missions		**150 000**	***150 000***	**150 000**	***150 000***	**140 637**	***100 249***	**9 363**	**49 751**
V	OTHER EXPENDITURE									
a	Consultants' fees		150 000	*150 000*	204 392	*150 000*	204 392	*73 984*	-	*76 016*
b	Audit Body		192 500	*187 800*	192 500	*187 800*	166 895	*184 635*	25 605	*3 165*
c	Investment Advisory Body		77 200	*77 225*	77 200	*77 225*	77 062	*76 405*	138	*820*
			419 700	***415 025***	**474 092**	***415 025***	**448 349**	***335 024***	**25 743**	***80 001***
VI	UNFORESEEN EXPENDITURE		**60 000**	***60 000***	**16 800**	***60 000***	**-**	***-***	**16 800**	***60 000***
	TOTAL I - VI (excluding External Audit fees)		**4 692 577**	***4 536 433***	**4 649 377**	***4 536 433***	**4 235 316**	***4 065 757***	**414 061**	***470 676***
VII	EXTERNAL AUDIT FEES (1992 Fund only) [3]		**43 200**	***43 200***	**86 400**	***43 200***	**86 400**	***43 200***	**-**	***-***
	TOTAL EXPENDITURE I-VII	23	**4 735 777**	***4 579 633***	**4 735 777**	***4 579 633***	**4 321 716**	***4 108 957***	**414 061**	**470 676**

Notes are found on pages 53–85

[3] Includes external audit fee for the years 2018 and 2019

Note 1 — Accounting policies

1.1 These Financial Statements have been prepared on a consistent basis with prior years in accordance with Financial Regulation 12.3 of the International Oil Pollution Compensation Fund 1992 (1992 Fund) and in compliance with International Public Sector Accounting Standards (IPSAS).

1.2 No new IPSAS have been issued in 2019 and no modifications to existing IPSAS have been made that would affect the preparation of the 2019 Financial Statements. There have been no changes in the operation of the Funds which might necessitate a review of applicable accounting standards.

1.3 The principal accounting policies followed in arriving at the financial information given in the respective statements are set out below (paragraphs 1.4 to 1.18).

1.4 Basis of preparation

1.4.1 The Financial Statements of the 1992 Fund have been prepared on the accruals basis of accounting in accordance with IPSAS, using the historical cost convention.

1.4.2 In accordance with the 1992 Fund's Financial Regulations:

(a) the financial year is the calendar year; and
(b) the functional and reporting currency of the 1992 Fund is pounds sterling.

1.4.3 The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the statement of financial position and the amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

1.4.4 In the process of applying the 1992 Fund's accounting policies, management has made the following judgements:

(a) the Cash Flow Statement is prepared using the indirect method; and
(b) expenditure for goods and services are net of taxes.

1.4.5 The management has made estimations for the following which have the most significant effect on the amounts recognised in the Financial Statements:

(a) compensation provision; and
(b) employee benefit provision.

1.5 Fund accounting and segment reporting

1.5.1 The Financial Statements are prepared on the entity basis, showing at the end of the period the consolidated position of all funds controlled by the 1992 Fund. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective.

1.5.2 The 1992 Fund classifies its fund activities into segments on the basis of a General Fund and Major Claims Funds (MCFs), as laid down in Financial Regulation 7. Fund balances represent the accumulated residual of revenue and expenses.

1.5.3 The General Fund covers the 1992 Fund's expenses for the administration of the organisation and compensation payments and claims-related expenditure up to a maximum amount of the pounds sterling equivalent of SDR 4 million per incident (Financial Regulation 7.1(c)(i)), converted at the rate applicable on the date of the incident. Working capital is maintained within the General Fund.

1.5.4 Separate MCFs are established for incidents where the total amount payable by the 1992 Fund exceeds SDR 4 million (Financial Regulation 7.2(d)).

Inter-fund loans

1.5.5 Interest on any loan made between the General Fund and an MCF is calculated at a preferential rate of 0.25% above the lowest London clearing bank base rate.

1.6 <u>Revenue</u>

Contributions

1.6.1 Income from contributions is treated as revenue from non-exchange transactions and is based on levies approved by the Assembly that are due in the financial period. Such income from contributions is recognised only after the contributions are invoiced on the basis of figures on contributing oil receipts reported by Member States.

1.6.2 In cases of contributions relating to previous levies based on late or amended oil reports submitted, the amount is recognised as income on the date of the invoice.

Interest on investments

1.6.3 Interest income on deposits is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable on a straight-line basis over the period of the investment.

1.6.4 The interest earned on investments of assets in currencies other than pounds sterling is translated into pounds sterling using the United Nations Operational Rates of Exchange.

Interest on overdue contributions

1.6.5 Income from interest on contributions comprises interest accrued on all contributions overdue at the end of the reporting period. No interest is charged on overdue interest.

Interest on loans to the HNS Fund

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

1.7 <u>Expenses</u>

Foreign currency transactions

1.7.1 In accordance with Financial Regulation 10.4(a), the 1992 Fund's assets shall be held in pounds sterling, or, if the Director considers it appropriate, in other currencies, to meet claims and claims-related expenses.

1.7.2 Payments for compensation claims, claims-related expenses and administration expenses made in foreign currencies are converted into pounds sterling at the rate of exchange obtained from the bank on the date of the transaction.

1.7.3 Foreign currency is bought for pounds sterling and invested as part of the hedging strategy and used for making payments for compensation claims. Such payments are converted at the rate on the date of the transaction as published in the London Financial Times (rates are derived from WM/Reuters spot rates and Morningstar).

Joint Secretariat's administrative expenses

1.7.4 The cost of running the joint Secretariat is borne by the 1992 Fund except for the External Auditor's fees for the 1992 Fund and the Supplementary Fund, which are paid for by the respective Fund. The 1992 Fund receives a flat management fee decided by the governing bodies towards the joint Secretariat's administrative costs for the reporting period in respect of time spent on work done for the Supplementary Fund.

Leases

1.7.5 Expenditure incurred under an operating lease, where the substantial risks and rewards of ownership are retained by the lessor, is charged on a straight-line basis over the life of the lease.

1.8 STOPIA 2006 reimbursements

For incidents that fall under the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) 2006, reimbursement due from the shipowner's insurer (Protection and Indemnity insurance (P&I Club)) of compensation paid by the 1992 Fund is presented as revenue, and the corresponding expense is presented as compensation claims expense.

1.9 Currency exchange differences

For the translation of all monetary items held at the end of the reporting period in currencies other than pounds sterling, the rate applied is the rate of exchange for the pound sterling against various currencies on the last banking day of the financial year as published in the London Financial Times (rates are derived from WM/Reuters spot rates and Morningstar).

1.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and term deposits.

1.11 Financial instruments

1.11.1 Financial instruments held in pounds sterling to maturity and where the interest is also received in pounds sterling have been treated at the year-end as normal term deposits. As such, they are stated at the value of the investment made (historical cost) and interest is accrued as normal.

1.11.2 Amounts either paid to or received from financial institutions in respect of hedging instruments are treated as 'finance cost of hedging instrument' or 'income from hedging instrument', respectively.

1.12 Inventories

1.12.1 The costs incurred in bringing publications to a distributable state include translation costs and printing costs. Publications are distributed free of charge. Costs of publications are expensed in the year they are incurred.

1.12.2 No value in inventory is carried forward since the cost of stock at year-end is not material in value.

1.13 Property, plant and equipment

Purchased assets which exceed an agreed value threshold, currently £500, are capitalised at cost in accordance with Financial Regulation 11.4. The cost of all assets acquired not exceeding that threshold is immediately charged as an expense. An asset is capitalised at cost and depreciated to its estimated residual value over its useful economic life using the straight-line method. The cost of an asset includes the purchase price, shipping, and set-up charges. Depreciation is charged on an annual basis, with a full month's charge in the month of purchase and no charge in the month of disposal.

Class of asset	Useful life
Computer equipment	3–5 years
Office fixtures and fittings	5 years
Telecommunications equipment	5 years

1.14 Intangible assets

Purchased computer software is capitalised at cost and amortised using the straight-line method over its useful life of up to five years. An intangible asset is recognised when it is identifiable, provides future economic benefits or service potential which can be reliably measured and access to which is wholly under the Fund's control. Internal operational and research costs are expensed. Costs associated with the maintenance of computer software programs are recognised as expenses when incurred.

1.15 Provisions and contingent liabilities

1.15.1 Provisions are made for future liabilities and charges where the 1992 Fund has a present legal or constructive obligation as a result of past events, and it is probable that the 1992 Fund will be required to settle the obligation.

1.15.2 Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the Notes to the Financial Statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the 1992 Fund.

Compensation provision

1.15.3 Provision is made for all claims approved by the relevant P&I Club and the 1992 Fund but not paid at the amount approved by the 1992 Fund, which reflects management's best estimate at that time or where a final judgement has taken place. Provision is also made for any significant claims approved between the year end and the date on which the Financial Statements are approved in respect of claims existing at the year end. Where approved claims have been pro-rated because there is uncertainty as to whether funds will be sufficient to allow further payments, no provision is made for such claims over and above the level of pro-rating, but the maximum of such amounts is disclosed separately in the Financial Statements as a contingent liability.

Provision for employee benefits

1.15.4 The following employee benefits are provided for:

- short-term employee benefits which fall due wholly within 12 months after the end of the accounting period in which employees render the related service; and
- long-term employee benefits not expected to be settled within 12 months.

1.15.5 Benefits in particular are:

- provision for annual leave accrued: provision classified as short-term provision is made annually on the basis of unused annual leave with changes in the provision from the start of the year being charged as an expense or released in the current financial period; and

- provision for separation costs: under the Staff Regulations and Rules, some staff members are entitled to certain benefits upon separation from service consisting of a repatriation grant lump sum, travel of the staff member and eligible dependants and shipment of their personal effects. Separation costs are provided for at the management's best estimate.

Contingent liabilities

1.15.6 Estimates of contingent liabilities include all known or likely compensation claims against the 1992 Fund. All these claims may not necessarily mature or be approved. In the case of fees (claims-related costs), these are calculated for the coming year only, due to the difficulties in 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.

1.16 <u>Contributors' account</u>

Net overpayments by contributors and reimbursement of contributions in accordance with the Assembly's decision are held in the contributors' account. In accordance with Internal Regulation 3.9, any credit balance on a contributors' account bears interest. The interest is added to the credit balance every year when levies are due, or reimbursements are made, normally on 1 March.

1.17 <u>Staff Provident Fund</u>

In accordance with Staff Rule VIII.5, the Staff Provident Fund represents the balance on the accounts of staff members made up of contributions to the Provident Fund by staff members and the 1992 Fund, withdrawals and repayments of housing loans and interest earned on the investment of the assets of the Provident Fund.

1.18 <u>Budgetary information</u>

1.18.1 The Assembly approves the budget which includes budgeted amounts for Secretariat administration costs and fixed assets. Budgets may be subsequently amended by the Assembly by authorising transfers within chapters of the budget, in excess of the limits of delegated authority provided under the Financial Regulations or approving supplementary budgets.

1.18.2 The Statement of Comparison of Budget and Actual Amounts (Statement V) compares the final budget to actual amounts calculated on the same basis (modified cash basis) as the corresponding budgetary amounts. As the bases used to prepare the budget and Financial Statements differ, reconciliation between the amounts presented in Statement V and Statement II (Statement of Financial Performance) is provided in Note 23.

Cash and cash equivalents

2.1 Cash and cash equivalents included in the Statement of Cash Flow (Statement IV) and the Statement of Financial Position (Statement I) comprise the following amounts:

	2019 £	*2018* *£*
Cash on hand & balances with banks	37 043 908	*54 990 130*
Term deposits	20 492 577	*53 840 819*
Total	**57 536 485**	***108 830 949***

2.2 Cash is invested in term deposits of up to one year but can be made available at short notice without significant effect on the interest on the deposit. No long-term investments are made in bonds or shares.

2.3 Cash and term deposits held in pounds sterling totalled £29 034 301 on 31 December 2019, of which £22 817 949 was held for the 1992 Fund. In addition, the Provident Fund held £5 959 525, and the Contributors' account held £256 827.

2.4 Other currencies held (£28 502 184) were as follows:

Currency	Incident	Amount in other currency	Translated as at 31-12-2019 £
Euros	General Fund	EUR 845 422	716 338
	Prestige MCF	EUR 834 606	707 174
	Agia Zoni II MCF	EUR 22 769 108	19 292 584
US dollars	General Fund	USD 7 507 538	5 667 350
	Hebei Spirit MCF	USD 2 806 586	2 118 658
Russian roubles	*Volgoneft 139* MCF*	RUB 6 609	80
		Total	**28 502 184**

*The *Volgoneft 139* MCF, with all assets/liabilities, is to be transferred to the General Fund in accordance with the 1992 Fund's Financial Regulation (7.2(f)) upon closure of the Major Claims Fund.

Note 3 — Contributions receivable

3.1 The situation with regard to outstanding contributions from previous levies and 2018 contributions due in 2019 is set out below.

	General Fund £	*Hebei Spirit* MCF *£*	*Volgoneft 139* MCF *£*	*Alfa I* MCF *£*	*Agia Zoni II* MCF *£*	Total contributions receivable 2019 £	*Total contributions receivable 2018 £*
Angola	4 862			2 115	17 508	**24 485**	-
Argentina				945	6 680	**7 625**	-
Cameroon					789	**789**	-
Côte d'Ivoire						**-**	*41 321*
Denmark	1 694			3 062		**4 756**	*4 124*
Djibouti	2 010				3 899	**5 909**	*4 829*
France	10 234			365		**10 599**	*10 234*
Ghana	10 599	52 110	2 457	6 686	23 073	**94 925**	*89 574*
Guinea	647					**647**	-
India	169 602			69 407	420 742	**659 751**	-
Malaysia						-	*90 407*
Mauritania	2 132					**2 132**	*2 132*
Morocco	12 903			26 949		**39 852**	*49 828*
Nicaragua					1 453	**1 453**	-
Panama				1 632		**1 632**	*1 294*
Russian Federation	14 676			39 976		**54 652**	*46 396*
Singapore				2 025		**2 025**	-
Tunisia						**-**	*52*
United Kingdom	36 129			38 323		**74 452**	*66 537*
Venezuela	300 057			80 008	206 549	**586 614**	-
Sub-total	**565 545**	**52 110**	**2 457**	**271 493**	**680 693**	**1 572 298**	***406 728***
Provision	(75 636)			(108 309)		**(183 945)**	*(177 120)*
Total	**489 909**	**52 110**	**2 457**	**163 184**	**680 693**	**1 388 353**	***229 608***

3.2 Contributions receivable is net of the provision for contributions due from some contributors, as set out in Note 5.

3.3 Contributions of £659 751 were outstanding from one contributor in India.

3.4 In 2019, Venezuela submitted oil reports for the years 2007 to 2017 resulting in late invoices for contributions levied to the General Fund and Major Claims Funds. The amount of £586 614 is due from one contributor.

Note 4 — Other receivables

4.1 Other receivables are set out in the table below.

	2019 £	*2018* *£*
Tax recoverable	273 668	*181 754*
Accrued interest on investments	32 007	*124 428*
Accrued interest on overdue contributions	66 153	*45 178*
Prepayments	77 730	*79 273*
Advances to staff	21 716	*17 639*
Accrued income	21 805	*17 153*
Other receivables	92	*37 341*
Supplementary Fund	1 887	*24 041*
Total	**495 058**	***526 807***

4.2 Taxes recoverable are value added tax (VAT) and airport tax recoverable from the United Kingdom Government and VAT recoverable from the French and Spanish Governments under Article 34 of the 1992 Fund Convention.

4.3 Accrued interest on overdue contributions as at 31 December 2019 was £96 210, and a provision of £30 057 has been made for interest on contributions due from some contributors, as set out in Note 5. The net of these amounts (£66 153) is included in 'Other receivables'.

4.4 Prepayments are payments in advance of goods and service delivery.

4.5 Advances to staff are for travel season tickets and subscriptions to the health insurance scheme.

4.6 Accrued income relates to amounts to be reimbursed by P&I Clubs for joint costs in relation to the *Prestige* and *Hebei Spirit* incidents.

Note 5 — Provision for contributions and interest on overdue contributions

5.1 As set out in Note 3, contributions receivable is net of the provision for contributions. The total provision of £214 001 is made up of £183 945 in contributions and £30 056 in interest on overdue contributions. A total amount of £63 728 is due from two contributors in the Russian Federation, and a total of £150 273 is due from four other contributors in liquidation proceedings.

5.1.1 A summary of the movements in the two provisions is shown in the table below.

Provision	Contributions outstanding £	Interest on contributions outstanding £	Total £
Opening balance, 01/01/2019	177 120	27 542	**204 662**
Amounts added to provision for contributions and interest, less amounts received (Statement II)	6 825	2 514	**9 339**
Closing balance, 31/12/2019	**183 945**	**30 056**	**214 001**

5.1.2 Movements on the provision for contributions and the provision for interest on contributions, shown by contributor, are shown in the table below.

Contributor	Contributors from the Russian Federation £	Petroplus £	O W Bunker (Denmark) £	SAMIR (Morocco) £	TOTAL £
<u>Contributions</u>					
Opening balance, 01/01/2019	46 396	76 772	4 124	49 828	**177 120**
Contributions received, 2019				(15 543)	**(15 543)**
Contributions provided for, 2019	8 257	7 914	632	5 565	**22 368**
Total provision for contributions, 31/12/2019	**54 653**	**84 686**	**4 756**	**39 850**	**183 945**
<u>Interest on contributions</u>					
Opening balance, 01/01/2019	7 629	-	-	19 913	**27 542**
Interest provided for, 2019	1 446			1 068	**2 514**
Total provision for interest on contributions, 31/12/2019	**9 075**	**-**	**-**	**20 981**	**30 056**
Total provision for contributions and interest, 31/12/2019	**63 728**	**84 686**	**4 756**	**60 831**	**214 001**

5.2 An amount of £15 543 was reversed from the provision for contributions as a result of the reimbursement of contributions from the *Volgoneft 139* MCF to the contributor SAMIR.

Contributors from the Russian Federation

5.3 The provision includes contributions and interest on overdue contributions due from two contributors in the Russian Federation. Based on the decision of the Assembly at the October 2016 session, the Secretariat has continued discussions with the authority in the Russian Federation to recover the contributions and no legal action has been taken in these cases.

Contributors in liquidation/bankruptcy

5.4 The 1992 Fund Assembly, at its October 2014 session, decided that after the receipt of final settlement from liquidators any balances due from two contributors in the United Kingdom and Switzerland should be written off (document IOPC/OCT14/11/1, paragraph 5.2.17).

5.5 The Secretariat has continued discussions with the authorities in Morocco to recover the outstanding contributions due from SAMIR.

Note 6 — Due from HNS Fund

6.1 At its first session, the 1992 Fund Assembly instructed the Director to carry out the tasks necessary for the setting up of the HNS Fund, as requested by the HNS International Conference (document 92FUND/A.1/34, paragraph 33.1.1–33.1.3), on the basis that all expenses would be repaid by the HNS Fund when established. As a result of this decision, any expenses relating to the preparation for the entry into force have been treated as loans from the 1992 Fund.

6.2 The HNS Fund will be established when the HNS Convention comes into force. The HNS Convention will come into force 18 months following the ratification by 12 States, fulfilling the conditions as laid down in the HNS Protocol. Eight States (Canada, Denmark, France, Germany, Greece, the Netherlands, Norway, and Turkey) have signed the 2010 HNS Protocol, subject to ratification. As at 31 December 2019, five States (Canada, Denmark, Norway, South Africa and Turkey) have deposited their instruments of ratification or accession to the 2010 HNS Protocol.

6.3 An amount of £412 585 (*2018: £378 752*), including interest to date of £44 767, is due from the HNS Fund. The Director considers that progress towards the establishment of the Convention supports expectation of recovery of this balance.

Note 7 — Property, plant and equipment

7.1 The following table shows a breakdown of fixed assets by type, with a reconciliation of additions and depreciation during the year.

	Computer equipment £	Office fixtures and fittings £	Telephone equipment £	Total £
Cost				
Opening balance, 01/01/2019	193 761	39 442	25 459	258 662
Additions	41 898	-	-	41 898
Disposals	(38 976)	(2 265)	-	(41 241)
Closing balance, 31/12/2019	196 683	37 177	25 459	259 319
Depreciation				
Accumulated depreciation, 01/01/2019	172 881	21 384	25 459	219 724
Depreciation on disposals	(38 976)	(2 265)	-	(41 241)
Depreciation charge for the year	15 845	6 615		22 460
Closing balance, 31/12/2019	149 750	25 734	25 459	200 943
Net book value				
Opening balance, 01/01/2019	20 880	18 058	-	38 939
Closing balance, 31/12/2019	46 933	11 443	-	58 376

7.2 Disposals were made of items of computer equipment (£38 976) and office fixtures (£2 265) which had all been fully depreciated and were no longer in use.

Note 8 — Intangible assets

8.1 The following table shows the amortisation of purchased software for the year. The software has now been fully amortised.

	Purchased software £
Cost	
Opening balance, 01/01/2019	57 870
Additions	-
Disposals	(29 313)
Closing balance, 31/12/2019	28 557
Amortisation	
Accumulated amortisation charge, 01/01/2019	57 870
Amortisation charge on disposals	(29 313)
Amortisation charge for the year	-
Closing balance, 31/12/2019	28 557
Net book value	
Opening balance, 01/01/2019	-
Closing balance, 31/12/2019	-

8.2 Disposals were made of items of software (£29 313) which had all been fully amortised and were no longer in use.

Note 9 — Payables and accruals

9.1 The following table shows details of payables and accruals as at 31 December 2019:

	2019 £	*2018* *£*
Payables for administrative expenses, lawyers and experts	138 984	*208 808*
Accruals for administrative expenses, lawyers and experts	283 871	*324 660*
Total	**422 855**	***533 468***

Note 10 — Provision for compensation

10.1 Provision is made for all compensation claims as follows:

10.1.1 The following table shows movement in provision in the currency of the country where the incident took place:

	Prestige MCF EUR	*Hebei Spirit* MCF KRW	*Agia Zoni II* MCF EUR	*Nesa R3* MCF OMR
Opening balance, 01/01/2019	28 004 739	52 940 776 767	955 291	10 894
Less: brought forward provision paid in 2019	(27 199 464)	(49 486 198 196)	(877 504)	(10 894)
New provision made in 2019	-	-	2 595 753	-
Closing balance, 31/12/2019	**805 275**	**3 454 578 571**	**2 673 540**	**-**

10.1.2 The following table shows movement in provision in pounds sterling:

	Prestige MCF £	*Hebei Spirit* MCF £	*Agia Zoni II* MCF £	*Nesa R3* MCF £	TOTAL £
Opening balance, 01/01/2019	25 136 647	37 254 023	857 455	22 219	63 270 344
Less: brought forward provision paid in 2019	(24 413 844)	(34 823 061)	(787 634)	(22 219)	(60 046 758)
Currency (gain)/loss on brought forward provision unutilised in the year	(40 482)	(176 023)	(3 910)	-	(220 415)
New provision made in 2019	-	-	2 199 417	-	2 199 417
Closing balance, 31/12/2019	**682 321**	**2 254 939**	**2 265 328**	**-**	**5 202 588**

10.2 A new provision has been made in relation to the *Agia Zoni II* MCF for 12 new claims.

10.3 In relation to the *Prestige* MCF, a provision for compensation of EUR 28 004 739 was brought forward from 2018 and payment of EUR 27 199 464 was made in April 2019 to the Spanish Court. The amount of EUR 805 275 was held back until claims in the courts are finalised or become time-barred in order that equal treatment is maintained to claimants in France and Portugal.

10.4 In relation to the *Hebei Spirit* MCF, a provision of some KRW 53 billion was brought forward from 2018 and payments were made to the Government of the Republic of Korea (KRW 27 486 198 196) and the Skuld Club (KRW 22 billion) in April 2019. The remaining balance of some KRW 3.5 billion will be paid to the Skuld Club upon finalisation of legal proceedings.

Note 11 — Provision for employee benefits

11.1 The following table shows movements to the short- and long-term provisions:

	Short-term £	Long-term £	Total £
Opening balance, 01/01/2019	208 424	361 377	569 801
Less: brought forward provision paid in 2019	(10 770)	-	(10 770)
New provision made in 2019	37 741	9 029	46 770
Closing balance, 31/12/2019	**235 395**	**370 406**	**605 801**

11.2 Adjustments were made to the provision to include new entitlements for one staff member in the long term provision and to transfer entitlements for another staff member from long-term to short-term.

Note 12 — Prepaid contributions

12.1 The amount of £1 125 171 (*2018: £592 339*) represents the levy of contributions decided by the 1992 Fund Assembly in October 2019 and due on 1 March 2020 but received in 2019.

Note 13 — Contributors' account

13.1 The amount of £256 827 (*2018: £208 341*) is the balance on the contributors' account after the deduction of amounts repaid to contributors or offset against contributions. The amount includes interest of £2 072 (*2018: £1 487*) credited in 2019 to contributors.

Note 14 — Staff Provident Fund

14.1 Table showing movements within the staff Provident Funds in 2019:

	2019 £	*2018 £*
Provident Fund (managed by the 1992 Fund - PF1)		
Accounts of staff members, 1 January	4 928 926	*4 543 665*
RECEIPTS		
Contributions of staff members	224 945	*203 910*
Voluntary contributions of staff members	311 576	*295 620*
Contributions of 1992 Fund	467 890	*425 820*
Interest received	148 624	*167 926*
Repayment of loans	50 000	*50 000*
Total receipts	1 203 035	*1 143 276*
PAYMENTS		
Transfer to Provident Fund (externally managed - PF2)	55 000	*220 542*
Withdrawal on separation	48 713	*287 473*
Housing loans	68 724	*250 000*
Total payments	172 437	*758 015*
Accounts of staff members, 31 December (PF1)	**5 959 524**	***4 928 926***
Provident Fund (externally managed - PF2)		
Transfer from Provident Fund (PF1)	55 000	*220 542*
Valuation as at 31 December (PF2)	**1 368 529**	***1 189 224***
Staff Provident Fund (PF1 & PF2) (Statement 1)	**7 328 053**	***6 118 150***

14.2 The rate of contribution to the Provident Fund for staff members is 7.9% of their respective pensionable remuneration and for the 1992 Fund is 15.8% of that remuneration (Staff Rule VIII.5(b)). At its October 2009 session, the 1992 Fund Administrative Council decided that staff members could make additional voluntary contributions of up to 5% of pensionable remuneration to the Provident Fund. At its April 2017 session, the 1992 Fund Administrative Council decided to increase the maximum voluntary contribution amount to 23.7% of the staff member's pensionable remuneration.

14.3 The Provident Fund is made up of two elements. Provident Fund (PF1) is invested with the 1992 Fund assets. Provident Fund (PF2) is managed by an independent financial broker in the name of the 1992 Fund.

14.4 All contributions are credited to PF1. Staff may invest in PF2 only from their cash balance available in PF1. There is no possibility of investing private funds in PF2. Amounts withdrawn from PF2 are credited to PF1.

14.5 The amount in PF1 is invested together with the 1992 Fund's assets. Interest is calculated and fixed monthly by the Director based on the rate of return of investments held during that month.

14.6 Participation in PF2 is entirely voluntary and new staff members can only participate in PF2 after completing one year of service in the Secretariat. All fees paid by those participating in PF2 are based on the proportion of their investment in PF2. As set out above, PF2 is managed by an independent financial broker, and £55 000 of new funds were invested with the broker in 2019. As at 31 December 2019, the amount managed by the broker was valued at £1 368 529.

14.7 Housing loans from the Provident Fund represent loans taken by staff members in accordance with Staff Rule VIII.5(j). The loan shall be repaid in a manner to be agreed between the staff member and the Director. In any event, the loan shall be repaid on the staff member's separation from the 1992 Fund by means of deduction from the monies payable.

14.8 The staff member's share in the Provident Fund is payable upon separation of the staff member from the 1992 Fund in accordance with the Fund's Staff Rule VIII.5(e).

Note 15 — General Fund and MCFs balances

15.1 The 1992 Fund holds fund balances classified into General Fund and MCFs. The General Fund currently includes a working capital of £17 million, as decided by the 1992 Fund Administrative Council at its October 2018 session (document IOPC/OCT18/11/1, paragraph 9.1.14). The working capital is established to ensure that the 1992 Fund is in a position to meet compensation and claims-related expenses, which may occur between the regular sessions of the governing bodies. See Note 25 for segment reporting by General Fund and MCFs.

Note 16 — Financial instruments

16.1 Details of the significant accounting policies adopted, including the basis of measurement and the basis on which income and expenses are recognised in respect of the financial instruments are set out in Note 1.

16.2 All financial assets held during 2019 are classified as loans and receivables and are non-derivative financial assets with fixed payments and a fixed maturity for which the organisation has the intention and the ability to hold to maturity.

16.3 Credit risk

16.3.1 The 1992 Fund's credit risk is spread widely, and its risk management policies limit the amount of credit exposure to any counterparty and include minimum credit quality guidelines.

16.3.2 The guidelines include market and capital strength measures in addition to the credit rating provided by the three rating agencies. Credit default swaps (CDS) and CET 1 capital ratio are the additional measures used to determine the counterparty list. The guidelines are as follows:

(a) CET 1 capital ratio of at least 9.5% or higher;
(b) five-year credit default swap (CDS) spread of a maximum of 100 basis points, a breach of which would trigger a review to ascertain whether the credit markets were weaker in general, or whether the creditworthiness of the counterparty concerned was subject to a particular credit-negative event that would warrant its temporary or permanent exclusion from the lending list; and
(c) minimum short-term credit rating from two of the three main credit rating agencies, Fitch, Moody's and Standard & Poor's as follows:
  - For maturities of up to 12 months (Group 1) of F1+, P1 and A1+; and
  - for maturities of up to 6 months (Group 2) of F1, P1 and A1.

16.3.3 A list of approved financial institutions is prepared by the joint Investment Advisory Body (IAB) on a quarterly basis and approved by the Director. This list is kept under constant review by the IAB between meetings and the Secretariat is advised accordingly.

16.3.4 Contributions receivable are comprised primarily of amounts due from contributors in Member States. The 1992 Fund Convention places an obligation on Member States to ensure that contributors fulfil their obligation to pay contributions. Details of contributions receivable are provided in Note 3.

16.4 Liquidity risk

16.4.1 The 1992 Fund Convention provides the Assembly with authority to levy contributions that may be required to balance the payments to be made by the 1992 Fund.

16.4.2 Liquidity risk associated with cash and cash equivalents is minimised substantially by ensuring that these financial assets are placed in term deposits not exceeding one year. It is ensured that in compliance with the investment guidelines on liquidity, the working capital set by the Assembly in October 2018 of £17 million is available within three months to support operational requirements.

16.5 Interest rate risk

16.5.1 The 1992 Fund places its cash investments in term deposits with fixed interest rates under strict investment guidelines. The Financial Regulations of the 1992 Fund focus on the security and liquidity of the assets rather than maximising revenue, and this is taken into account in managing the liquidity (cash flow) risk.

16.5.2 The table below shows the average interest rate earned on investments in the different currencies and the effect in pounds sterling of a change of 0.25% in interest rate earned. During 2019, the amount of cash held in pounds sterling decreased.

Investment	Average interest rate earned 2019 %	Effect of increase/decrease by 0.25% £
Pounds sterling	0.85%	94 642
US dollar	2.41%	19 647
South Korean won	1.80%	9 808

16.6 Foreign currency risk

16.6.1 Hedging guidelines were developed in 2008 with advice from the IAB. For an incident in respect of which compensation will be paid in a currency other than pounds sterling, in principle the aim is to hedge up to 50% of the liability of an incident but not more than the sum of the levies approved less the Fund's anticipated expenses within a six-month period after a levy has been approved.

16.6.2 The rationale behind the hedging policy is that hedging 50% of the foreign exchange liability constitutes a neutral position whichever way the exchange rate was to move.

16.6.3 As at 31 December 2019, cash and cash equivalents were held in pounds sterling (50%), euros (36%) and US dollars (14%) (see Note 2).

16.6.4 As at 31 December 2019, the foreign exchange liability in euros in respect of the *Prestige* incident was hedged at 100%.

16.6.5 As at 31 December 2019, the foreign exchange liability in euros in respect of the *Agia Zoni II* incident was hedged at 34%.

16.6.6 In respect of the *Hebei Spirit* incident, as at 31 December 2019, the foreign exchange liability was hedged by holding US dollars valued at 94% of the liability, as prior payments to the P&I Club have been made in US dollars.

Note 17 — Contributions

17.1 At its session in October 2018, the 1992 Fund Administrative Council decided to levy contributions (2018 contributions) of £5.9 million to the General Fund, £1.675 million to the *Alfa I* MCF, and £10 million to the *Agia Zoni II* MCF, payable by 1 March 2019. It also decided to reimburse £3.675 million to the contributors to the *Volgoneft 139* MCF in 2019.

17.2 Contributions invoiced for payment in 2019 are summarised below:

	2018 levy payable by 1 March 2019 £	Previous years' levies £	Total £
General Fund	5 782 856	607 756	6 390 612
Agia Zoni II Major Claims Fund	9 956 982	379 002	10 335 984
Alfa I Major Claims Fund	1 670 242	132 428	1 802 670
Volgoneft 139 Major Claims Fund (reimbursement)	(3 675 038)		(3 675 038)
Total	**13 735 042**	**1 119 186**	**14 854 228**

17.3 Contributions invoiced in 2019 include levies and reimbursements based on contributing oil reports received late amounting to a net levy of £1 119 186. This is in accordance with accounting policy paragraph 1.6.1 in Note 1 on contributions relating to late submission of oil reports, where the amount is recognised as income on the date of the invoice.

Note 18 — Contributions-in-kind

18.1 The United Kingdom Government meets 80% of the costs related to the rental of the Secretariat offices and storage space. The total rental payments made in 2019 amounted to £258 000 (*2018: £258 000*) with the United Kingdom Government's share being £206 400 (*2018: £206 400*) (see Notes 22 and 27).

Note 19 — Other revenue

19.1 Table showing the breakdown of other revenue earned by the 1992 Fund in 2019.

	2019 £	*2018 £*
Management fee payable by the Supplementary Fund	36 000	*34 000*
Interest on overdue contributions	35 603	*27 706*
Interest on loans to HNS Fund	3 613	*2 378*
Interest on loans to *Alfa I* Major Claims Fund	2 327	*10 996*
Interest on loans to *Nesa R3* Major Claims Fund	31 254	-
Reimbursement from Barclays Bank	-	*79 289*
Sundry income	1 856	*5 036*
Total	**110 653**	***159 405***

19.2 The management fee was set in the budget at £36 000 (*2018: £34 000*) for the Supplementary Fund for the period 1 January to 31 December 2019 (document IOPC/OCT18/11/1, paragraph 9.1.20).

Note 20 — Compensation claims

20.1 Compensation is recognised on a cash basis in Section One, page 11, and can be reconciled to compensation paid in the Statement of Financial Performance (Statement II) as follows:

	Prestige MCF £	*Hebei Spirit* MCF £	*Agia Zoni II* MCF £	*Nesa R3* MCF £	Total £
Compensation paid on cash basis in 2019 (Section One, page 11)	23 502 518	33 188 143	959 049	21 654	57 671 364
Less: brought forward provision paid in 2019 (Note 10)	(24 413 844)	(34 823 061)	(787 634)	(22 219)	(60 046 758)
Exchange loss on brought forward provision paid in 2019 (Note 24)	911 326	1 634 918	25 707	565	2 572 516
New provision made in 2019 (Note 10)	-	-	2 199 417	-	2 199 417
Compensation recognised on accrual basis (Statement II)	**-**	**-**	**2 396 539**	**-**	**2 396 539**

20.2 Foreign currency is held for the purpose of making payments of compensation and any exchange loss on the payment is compensated by an exchange gain on the revaluation of the foreign currency (see Note 24).

Note 21 — Claims-related expenses

21.1 Under the Memorandum of Understanding (MoU) between the International Group of P&I Clubs (shipowner's insurers) and the 1992 Fund, joint claims-related costs are apportioned between the P&I Clubs and the 1992 Fund based on their respective compensation liability.

	Claims-related expenses paid in 2019 £	Joint costs received /receivable from P&I Club in 2019 £	Claims-related expenses 2019 (statement II) £	*CRE 2018 (statement II)* *£*
General Fund	80 704	-	80 704	*502 457*
Prestige MCF	423 037	(20 027)	403 010	*523 852*
Hebei Spirit MCF	556 763	(3 667)	553 096	*981 994*
Volgoneft 139 MCF	15	-	15	*1 097*
Alfa I MCF	20 837	-	20 837	*67 551*
Agia Zoni II MCF	916 618	-	916 618	*578 247*
Nesa R3 MCF	78 390	-	78 390	*63*
TOTAL	**2 076 364**	**(23 694)**	**2 052 670**	***2 655 261***

21.2 In 2019, an amount of £23 694 (*2018: £33 760*) was invoiced under the MoU to the following P&I Clubs:

- The London Steam-Ship Owners' Mutual Insurance Association Limited (London P&I Club) — *Prestige* incident (£20 027); and
- Assuranceföreningen Skuld (Gjensidig) (Skuld Club) — *Hebei Spirit* incident (£3 667).

Note 22 — Staff, other personnel and administrative costs

22.1 Expenses were made under seven Chapters as set out in the table below:

	Chapter	Expenses 2019 (Statement II) £	*Expenses 2018 (Statement II) £*
I	Personnel	3 024 382	*2 913 209*
II	General services	764 004	*876 098*
III	Meetings	80 906	*98 569*
IV	Travel	140 637	*100 249*
V	Other expenditure	448 349	*335 024*
VI	Unforeseen expenditure	-	-
VII	External audit fees	86 400	*43 200*
	Total	**4 544 678**	***4 366 349***

22.2 Chapter II, General services, includes £206 400, equivalent to 80% of the rent due on the Secretariat's office premises and an amount reimbursed by the Government of the United Kingdom (see Note 18). Chapter II also includes depreciation charges of £22 460 (see Note 7 and Note 8).

Note 23 — Statement of Comparison of Budget and Actual Amounts

23.1 The 1992 Fund's budget and Financial Statements are prepared using different bases. The Statement of Financial Position (Statement I); Statement of Financial Performance (Statement II); Statement of Changes in Net Assets (Statement III); and Statement of Cash Flow (Statement IV) are prepared on a full accruals basis using a classification based on the nature of expenses in the Statement of Financial Performance (Statement II), whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared on a commitment accounting basis.

23.2 As required under IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the Financial Statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the Financial Statements, identifying separately any basis, presentation, entity, and timing differences.

23.3 Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For the 1992 Fund, the budget is prepared on the commitment basis and the Financial Statements are prepared on the accruals basis.

23.4 Presentation differences are due to differences in the format and classification schemes adopted for presentation of Statement of Financial Performance (Statement II) and Statement of Comparison of Budget and Actual Amounts (Statement V).

23.5 Entity differences occur when the budget omits programmes or entities that are part of the entity for which the Financial Statements are prepared. The budget relates only to the joint Secretariat's administrative expenses.

23.6 Timing differences occur when the budget period differs from the reporting period reflected in the Financial Statements. There are no timing differences for the 1992 Fund for purposes of comparison of budget and actual amounts.

23.7 Reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Financial Performance (Statement II) for the year ended 31 December 2019 is presented below:

	£
Statement V	**4 321 716**
Contributions-in-kind (Note 18)	206 400
Purchase of fixed assets (Notes 7 and 8)	(41 898)
Depreciation and amortisation (Notes 7 and 8)	22 460
Adjustment to provision for employee benefits (Note 11)	36 000
Compensation claims (Note 20)	2 396 539
Claims-related expenses (Note 21)	2 052 670
Currency exchange differences (Note 24)	338 502
Provision for 2019 contributions and interest less amounts received (Note 5)	9 339
Statement II	**9 341 728**

Note 24 — Currency exchange differences

24.1 As at 31 December 2019 there was a notional exchange loss of £338 502 *(2018 gain: £950 482)* made up as follows:

Reason for difference	General Fund £	*Prestige* MCF £	*Hebei Spirit* MCF £	*Volgoneft 139* MCF £	*Agia Zoni II* MCF £	*Nesa R3* MCF £	(Gain)/Loss 2019 £	*(Gain)/Loss 2018 £*
Currency revaluation [4]	327 820	953 323	1 148 696	(6)	699 426		**3 129 259**	*(1 592 242)*
Revaluation of taxes	113	2 061					**2 174**	*(585)*
Exchange (gain)/loss on 2018 provision paid in 2019 (Note 20)		(911 326)	(1 634 918)		(25 707)	(565)	**(2 572 516)**	*1 165*
Decrease in cost of unutilised 2018 provision due to currency revaluation (Note 10)		(40 482)	(176 023)		(3 910)		**(220 415)**	*641 180*
Total	**327 933**	**3 576**	**(662 245)**	**(6)**	**669 809**	**(565)**	**338 502**	***(950 482)***

24.2 Movement of exchange rates from the beginning to the end of the reporting period:

	31-Dec-19	*31-Dec-18*
EUR:GBP	1.1802	*1.1141*
KRW:GBP	1532.0061	*1421.0755*
RUB:GBP	82.2818	*88.3524*
USD:GBP	1.3247	*1.2736*

24.3 South Korean won weakened against the pound sterling during 2019 resulting in an exchange loss on currency held and an exchange gain on currency used for the payment of brought forward compensation provision in relation to the *Hebei Spirit* MCF.

[4] Currency revaluation arising from translation of all monetary assets held at the end of the reporting period in currencies other than pounds sterling, as well as currency transfers between accounts during the year.

24.4 The euro weakened against the pound sterling during 2019, resulting in an exchange loss on revaluation of currency held at year end and an exchange gain on currency used for the payment of brought forward compensation provision in relation to the *Prestige* MCF.

24.5 The US dollar weakened against the pound sterling during 2019, resulting in an exchange loss upon revaluation of USD currency held at year end for the General Fund and the *Hebei Spirit* MCF.

Note 25 — Segment reporting

25.1 Segment reporting has been made on the basis that the 1992 Fund classifies its activities into the General Fund and MCFs.

25.2 The General Fund covers the 1992 Fund's expenses for the administration of the Secretariat and for compensation payments and claims-related expenditure for minor incidents, up to a maximum amount of the pound sterling equivalent of SDR 4 million per incident and includes the working capital.

25.3 In accordance with Financial Regulation 7.1 (c)(iv), the General Fund made a loan in 2016 to the *Alfa I* MCF to make payment of compensation. The balance of the loan carried forward to 2019 was £1 275 637 and the loan was fully cleared by contributions received for the *Alfa I* MCF during the year.

25.4 There were six MCFs at the beginning of 2019, and no further MCFs were established during the year. Levies of contributions are made for a MCF from which amounts are expensed for that incident (compensation and claims-related expenses):

- *Prestige* MCF was set up in 2003 for the incident in Spain (2002);
- *Hebei Spirit* MCF was set up in 2008 for the incident in the Republic of Korea (2007);
- *Volgoneft 139* MCF was set up in 2013 for the incident in the Russian Federation (2007) and closed in 2019;
- *Alfa I* MCF was set up in 2015 for the incident in Greece (2012);
- *Agia Zoni II MCF* was set up in 2018 for the incident in Greece (2017); and
- *Nesa R3* MCF was set up in 2018 for the incident in Oman (2013).

25.5 All remaining balances from the *Volgoneft 139* MCF were transferred to the General Fund at the end of 2019.

25.6 Statement of Financial Position by segment:

	General Fund	*Prestige MCF*	*Hebei Spirit MCF*	*Volgoneft 139 MCF*	*Alfa I MCF*	*Agia Zoni II MCF*	*Nesa R3 MCF*	1992 Fund 31-Dec-19	*1992 Fund 31-Dec-18*
	£	£	£	£	£	£	£	£	£
ASSETS									
Current assets									
Cash and cash equivalents	21 068 713	1 374 503	7 917 944	39 749	296 737	26 838 839	-	**57 536 485**	*108 830 949*
Contributions receivable	489 909	-	52 110	2 457	163 184	680 693	-	**1 388 353**	*229 608*
Other receivables	407 615	20 474	20 191	671	4 711	41 396	-	**495 058**	*526 807*
Staff Provident Fund (externally managed)	1 368 528	-	-	-	-	-	-	**1 368 528**	*1 189 224*
Total current assets	**23 334 765**	**1 394 977**	**7 990 245**	**42 877**	**464 632**	**27 560 928**	**-**	**60 788 424**	***110 776 588***
Non-current assets									
Due from HNS Fund	412 585	-	-	-	-	-	-	**412 585**	*378 752*
Property, plant and equipment	58 376	-	-	-	-	-	-	**58 376**	*38 939*
Intangible assets	-	-	-	-	-	-	-	**-**	*-*
Total non-current assets	**470 961**	**-**	**-**	**-**	**-**	**-**	**-**	**470 961**	***417 691***
TOTAL ASSETS	**23 805 726**	**1 394 977**	**7 990 245**	**42 877**	**464 632**	**27 560 928**	**-**	**61 259 385**	***111 194 279***
LIABILITIES									
Current liabilities									
Payables and accruals	174 611	116 278	80 271	-	11 519	36 441	3 735	**422 855**	*533 468*
Provision for compensation	-	682 321	2 254 939	-	-	2 265 328	-	**5 202 588**	*63 270 343*
Provision for employee benefits (short-term)	235 395	-	-	-	-	-	-	**235 395**	*208 424*
Prepaid contributions	232 019	-	-	-	-	542 120	351 032	**1 125 171**	*592 339*
Contributors' account	256 827	-	-	-	-	-	-	**256 827**	*208 341*
Loan from GF to *Nesa R3*	(2 828 212)	-	-	-	-	-	2 828 212	**-**	*-*
Total current liabilities	**(1 929 360)**	**798 599**	**2 335 210**	**-**	**11 519**	**2 843 889**	**3 182 979**	**7 242 836**	***64 812 915***
Non-current liabilities									
Staff Provident Fund	7 328 053	-	-	-	-	-	-	**7 328 053**	*6 118 150*
Provision for employee benefits (long term)	370 406	-	-	-	-	-	-	**370 406**	*361 377*
Total non-current liabilities	**7 698 459**	**-**	**-**	**-**	**-**	**-**	**-**	**7 698 459**	***6 479 527***
TOTAL LIABILITIES	**5 769 099**	**798 599**	**2 335 210**	**-**	**11 519**	**2 843 889**	**3 182 979**	**14 941 295**	***71 292 442***
NET ASSETS	**18 036 627**	**596 378**	**5 655 035**	**42 877**	**453 113**	**24 717 039**	**(3 182 979)**	**46 318 090**	***39 901 837***
FUNDS' BALANCES									
Balance b/f: 1 January 2019	16 069 176	995 274	5 327 564	3 716 864	(1 313 257)	18 211 370	(3 105 154)	**39 901 837**	*48 969 393*
(Deficit)/Surplus for the year to date	1 967 451	(398 896)	327 471	(3 673 987)	1 766 370	6 505 669	(77 825)	**6 416 253**	*(9 067 556)*
GENERAL FUND AND MAJOR CLAIMS FUNDS (MCFs) BALANCES	**18 036 627**	**596 378**	**5 655 035**	**42 877**	**453 113**	**24 717 039**	**(3 182 979)**	**46 318 090**	***39 901 837***

25.7 Statement of Financial Performance by segment:

	General Fund	*Prestige MCF*	*Hebei Spirit MCF*	*Volgoneft 139 MCF*	*Alfa I MCF*	*Agia Zoni II MCF*	*Nesa R3 MCF*	1992 Fund 2019	*1992 Fund 2018*
	£	£	£	£	£	£	£	£	*£*
REVENUE									
Contributions	6 390 612	-	-	(3 675 038)	1 802 670	10 335 984	-	14 854 228	*27 075 571*
Contributions-in-kind	206 400	-	-	-	-	-	-	206 400	*206 400*
Interest on investments	222 773	7 690	216 910	994	3 022	135 311	-	586 700	*872 488*
Other revenue	86 195	-	1 412	66	5 640	17 340	-	110 653	*159 405*
Total revenue	**6 905 980**	**7 690**	**218 322**	**(3 673 978)**	**1 811 332**	**10 488 635**	**-**	**15 757 981**	***28 313 864***
EXPENSES									
Compensation claims	-	-	-	-	-	2 396 539	-	2 396 539	*31 314 654*
Claims-related expenses	80 704	403 010	553 096	15	20 837	916 618	78 390	2 052 670	*2 655 261*
Personnel costs	3 024 382	-	-	-	-	-	-	3 024 382	*2 913 209*
Other administrative costs	1 520 296	-	-	-	-	-	-	1 520 296	*1 453 140*
Currency exchange differences	327 933	3 576	(662 245)	(6)	-	669 809	(565)	338 502	*(950 482)*
Amounts added to provision for contributions and interest, less amounts received	(14 786)	-	-	-	24 125	-	-	9 339	*(4 362)*
Total expenses	**4 938 529**	**406 586**	**(109 149)**	**9**	**44 962**	**3 982 966**	**77 825**	**9 341 728**	***37 381 420***
(DEFICIT)/SURPLUS FOR THE YEAR	**1 967 451**	**(398 896)**	**327 471**	**(3 673 987)**	**1 766 370**	**6 505 669**	**(77 825)**	**6 416 253**	***(9 067 556)***

Note 26 — Contingent liabilities

26.1 The information has been compiled using data available to 13 March 2020. Since then, no significant changes have taken place.

26.2 It should be noted that any estimate in this Note, of amounts to be paid by the 1992 Fund in compensation, has been made solely for the purpose of assessment of contingent liabilities without prejudice to the position of the 1992 Fund in respect of the claims. The estimated expenditure under the item 'Other costs' relates to legal and technical costs for the next financial year, i.e. for 2020. The rate applied is the rate of exchange for the pound sterling against various currencies on 31 December 2019 as published in the London Financial Times.

26.3 There are contingent liabilities of the 1992 Fund estimated at £36 843 000 (*2018: £41 188 000*) in respect of 11 incidents as at 31 December 2019.

26.4 Details of the contingent liabilities at 31 December 2019, given in rounded figures, are set out below:

	Incident	Date	Compensation (incident currency)	Compensation £	Other costs £	2019 Total £	*2018 Total £*
1	*Prestige*	13.11.02		-	500 000	**500 000**	*500 000*
2	*Solar 1*	11.08.06	STOPIA 2006	-	10 000	**10 000**	*10 000*
3	*Hebei Spirit*	07.12.07		-	1 000 000	**1 000 000**	*1 000 000*
4	*Redfferm*	30.03.09		-	5 000	**5 000**	*5 000*
5	*Haekup Pacific*	20.04.10	STOPIA 2006	-	5 000	**5 000**	*5 000*
6	*Alfa I*	05.03.12		-	100 000	**100 000**	*75 000*
7	*Nesa R3*	19.06.13		-	250 000	**250 000**	*50 000*
8	*Trident Star*	24.08.16	STOPIA 2006	-	100 000	**100 000**	*100 000*
9	*Nathan E. Stewart*	13.10.16		-	5 000	**5 000**	*5 000*
10	*Agia Zoni II*	10.09.17	EUR 40.5 million	34 268 000	600 000	**34 868 000**	*39 438 000*
11	*Bow Jubail*	23.06.18		-	50 000	**50 000**	-
	TOTAL			**34 268 000**	**2 625 000**	**36 843 000**	***41 188 000***

26.5 <u>*Prestige*</u>

26.5.1 In November 2017, the Court in La Coruña delivered a judgment on the quantification of the losses resulting from the *Prestige* incident, awarding over EUR 1.6 billion in compensation.

26.5.2 The Supreme Court in Spain delivered its judgment on the quantification of the losses in December 2018, awarding some EUR 1 439.1 million (after amendments) (losses of some EUR 885.0 million plus pure environmental and moral damages of some EUR 554.1 million). The judgment clarified that only the losses were recoverable from the 1992 Fund. In addition, the judgment awarded interest and costs.

26.5.3 The total amount of the established claims in the *Prestige* incident exceeds the maximum amount available for compensation under the 1992 Conventions; SDR 135 million corresponding to EUR 171 520 703 (some EUR 22.8 million under the 1992 Civil Liability Convention (CLC) and some EUR 148.7 million under the 1992 Fund Convention).

26.5.4 The Court in charge of the enforcement of the Supreme Court judgment issued an order in March 2019 requesting the 1992 Fund to pay the limit of its liability after deducting the amounts already paid, i.e. some EUR 28 million.

26.5.5 The 1992 Fund has paid a total of some EUR 147.9 million, including EUR 57 555 000 and EUR 56 365 000 paid to the Spanish State in 2003 and 2006 respectively, EUR 328 488 to the Portuguese State in 2006, some EUR 5.8 million to French claimants and a payment of some EUR 27.2 million into the Spanish Court in April 2019.

26.5.6 The balance payable by the 1992 Fund in compensation is some EUR 805 275 which is being retained by the 1992 Fund to possibly pay claimants with legal actions pending before the French courts amounting to some EUR 800 000 and a further EUR 4 800 available to pay the Portuguese Government who are not party to the legal proceedings in Spain. The amount still to be paid was provided for in 2017 following the November 2017 judgment.

26.5.7 For the purposes of contingent liabilities, fees and other costs for 2020 have been estimated at £500 000 *(2018: £500 000)*.

26.6 *Solar 1*

26.6.1 The owner of the *Solar 1* is a party to STOPIA 2006 whereby the limitation amount applicable to the tanker is increased, on a voluntary basis, to SDR 20 million. It is very unlikely that the amount of compensation payable in respect of this incident will exceed the STOPIA 2006 limit of SDR 20 million and therefore, very unlikely that the 1992 Fund will be called upon to pay compensation.

26.6.2 Three claims remain outstanding, namely a claim by the Philippine Coast Guard (PCG) assessed at PHP 104.8 million, a claim by 967 fisherfolk assessed at PHP 13.5 million and a claim by a group of municipal employees assessed at PHP 1.2 million.

26.6.3 Under STOPIA 2006 compensation payments made over the 1992 CLC limit are paid initially by the 1992 Fund and reimbursed by the relevant P&I Club up to the maximum amount of SDR 20 million.

26.6.4 For the purpose of the contingent liabilities, costs for 2020 have been estimated at an amount of £10 000 *(2018: £10 000)*.

26.7 *Hebei Spirit*

26.7.1 In August 2019, the Supreme Court rejected objections to the distribution of the Limitation Fund established by the shipowner finalising all legal proceedings which has enabled the Limitation Fund to be distributed. The total amount awarded by the courts of the Republic of Korea is KRW 432.9 billion. Therefore, the total amount of established claims in respect of this incident has exceeded SDR 203 million corresponding to KRW 321.6 billion, the maximum amount available for compensation under the 1992 Conventions.

26.7.2 The shipowner's insurer, the Skuld Club, reached the limit as per its Letter of Undertaking in 2015 and the 1992 Fund commenced making compensation payments. In April 2019, the 1992 Fund, following a bilateral agreement with the Government of the Republic of Korea, made payment of the remaining amount due to the Government of KRW 27 486 198 196 resulting in the total amount due to the Government of KRW 134 787 509 429 being reached. In April 2019, the 1992 Fund made a further balancing payment totalling KRW 22 billion. As at 31 December 2019, the total amount paid to the Club was KRW 44 billion (KRW 22 billion both in 2018 and 2019) leaving an amount of KRW 3 454 578 571 still due to the Club.

26.7.3 The table below summarises the 1992 Fund's liability for this incident:

	SDR	KRW
Maximum amount of compensation payable (rate based on date of decision of Executive Committee (13 March 2008))	203 million	**321 618 990 000**
Paid by shipowner's insurance (Exchange rate in force in November 2008)	89.77 million	186 831 480 571
Payable by shipowner's insurance, as established by Limitation Court (November 2018)	89.77 million	139 376 902 000
Payable by 1992 Fund	113.23 million	182 242 088 000
Balance amount due to shipowner's insurer from 1992 Fund		47 454 578 571
Payable by 1992 Fund	**SDR**	**KRW**
Maximum liability (rate based on date of decision of Executive Committee (13 March 2008))	113.23 million	**182 242 088 000**
Total amount payable to Government of the Republic of Korea by the 1992 Fund (KRW 321 618 990 000 less KRW 186 831 480 571)		134 787 509 429
Payments made to the Government of the Republic of Korea as at 31 December 2019		134 787 509 429
Total amount payable to shipowner's insurer from 1992 Fund		**47 454 578 571**
Payment made to shipowner's insurer in 2018		22 000 000 000
Payment made to shipowner's insurer in 2019		22 000 000 000
Provision (balance payable to shipowner's insurer by 1992 Fund)		**3 454 578 571**

26.7.4 Provision had already been in made in 2018 for the remaining amount of compensation due to the shipowner, i.e. KRW 3 454 578 571.

26.7.5 The joint cost expenditure was made by the shipowner's insurer until 31 December 2012 and since then by the 1992 Fund. An estimated proportion of joint costs are settled between the shipowner's insurer and the 1992 Fund on a periodic basis. The current split between the 1992 Fund and the Club is based on 56%/44%. The amount payable by the Club has now been set and the joint costs will be reconciled on the basis of the final liability resulting in a split of 56.66%/43.34% and not 56%/44% as applied to date. The 1992 Fund will make an additional payment in relation to joint costs to the Club.

26.7.6 For the purpose of contingent liability, further amounts payable by the 1992 Fund, including legal costs and joint costs, have been estimated at £1 million for 2020 *(2018: £1 million)*.

26.8 <u>*Redfferm*</u>

26.8.1 In late January 2012, the 1992 Fund was informed of an incident which occurred on 24 March 2009 at Tin Can Island, Lagos, Nigeria. Under the 1992 CLC, the limit of liability of the barge *Redfferm* is believed to be SDR 4.51 million (£4.6 million) based on a preliminary estimation of the size of the barge.

26.8.2 A claim was filed in March 2012 against the 1992 Fund by 102 communities allegedly affected by the incident for USD 26.25 million.

26.8.3 In February 2014, following the October 2013 session of the 1992 Fund Executive Committee, the Secretariat wrote to the claimants rejecting their claims on the basis that the barge Redfferm was not a 'ship' within the definition of Article I(1) of the 1992 CLC and because insufficient information had been submitted in support of the claims submitted.

26.8.4 The Director has not been authorised by the 1992 Fund Executive Committee to make payment for this incident. It is expected that some legal costs will be incurred since legal proceedings in Nigeria were continuing and the 1992 Fund would have to defend its position.

26.8.5 For the purpose of the contingent liabilities, fees and other costs for 2020 have been estimated at £5 000 *(2018: £5 000)*.

26.9 <u>*Haekup Pacific*</u>

26.9.1 In April 2013, the Secretariat was informed of an incident which took place in April 2010 in the Republic of Korea. The *Haekup Pacific*, an asphalt carrier of 1 087 GT built in 1983, was involved in a collision with the *Zheng Hang*.

26.9.2 The *Haekup Pacific* was entered as a 'relevant ship' within the definition of STOPIA 2006 and therefore, the agreement applies.

26.9.3 The UK P&I Club retained surveyors who estimated that the cost of the oil removal operation would be in the region of USD 5 million whereas the wreck (with the cargo on board) removal operation would cost in excess of USD 25 million.

26.9.4 In April 2013, the shipowner/UK P&I Club issued legal proceedings against the 1992 Fund in order to protect their rights in respect of any future liability for costs of the removal operations which they might have to pay. The legal proceedings commenced by the shipowner/UK P&I Club were withdrawn in June 2013.

26.9.5 In April 2016, the shipowner and insurer filed a claim for USD 25.1 million in accordance with the STOPIA 2006 arrangement against the 1992 Fund before the expiry of the six-year time-bar, in order to preserve the shipowner and insurers' rights against the 1992 Fund in the event that they be instructed to comply with the wreck and oil removal orders. However, no decision has yet been taken by the authorities in the Republic of Korea on whether to revoke the oil and wreck removal orders or to enforce them. In 2017, the Court dealing with the dispute between the shipowners of the colliding vessels decided that since the wreck and oil removal orders remained in place, the *Haekup Pacific* owners/insurers are obliged to remove the wreck and oil on board. As a consequence, it is reasonable to deem that those costs had, in fact, arisen. The shipowner/insurer of the *Zheng Hang,* the colliding vessel, appealed against the Seoul High Court's judgment and that matter is now pending at the Supreme Court of Korea. In September 2019 the authorities requested a report from the shipowner/insurer in order for a final decision to be made on wreck and oil removal.

26.9.6 For the purpose of the contingent liabilities, fees and other costs for 2020 have been estimated at £5 000 *(2018: £5 000)*.

26.10 <u>*Alfa I*</u>

26.10.1 The *Alfa I* incident occurred near Piraeus, Greece in March 2012. Greece is a Party to the 1992 CLC, 1992 Fund Convention and the Supplementary Fund Protocol. Since the tonnage of *Alfa I* (1 648 GT) is below 5 000 units, the limitation amount applicable under the 1992 CLC is SDR 4.51 million (EUR 5.22 million). The tanker had an insurance policy limited to EUR 2 million, which did not cover pollution by persistent oil.

26.10.2 Six claims totalling EUR 16.1 million were submitted to the shipowner by two clean-up contractors. In addition, a claim by the Greek authorities of EUR 222 000 has been filed against the shipowner. The 1992 Fund has not been formally notified of the claim by the Greek authorities and no further information has been provided by the shipowner.

26.10.3 At the April 2016 sessions of the IOPC Funds' governing bodies, the Executive Committee authorised the Director to settle the main contractor's claim for EUR 12 million and to claim back from the insurer the 1992 CLC limit. In December 2016, the 1992 Fund was informed that the insurer would likely be put into voluntary liquidation as it could not comply with Greek insurance solvency regulations.

26.10.4 In March 2018, the Piraeus Court of Appeal issued its judgment. The judgment distinguished the case of carriage of more than 2 000 tonnes of oil (in which case the 1992 CLC right to limit applies) from the case of carriage of less than 2 000 tonnes of oil and held that in either case there was an obligation to insure and a right of direct action against the insurer. The judgment also held that since no Limitation Fund had been established in this case, the insurer was liable for the full amount claimed by the main clean-up contractor, i.e. for EUR 15.8 million.

26.10.5 The 1992 Fund filed applications for prenotated mortgages against the unencumbered buildings owned by the insurer. Since then, legal proceedings have been undertaken with the latest situation being that the 1992 Fund has two judgments in its favour, one against, and two appeals have been submitted to the Supreme Court of Appeal, with the first hearing date in February 2020. The estimated cost of these appeals is some EUR 40 000.

26.10.6 In June 2019, the insurer filed an appeal to the Supreme Court against the March 2018 judgment. The 1992 Fund has also filed an appeal to the Supreme Court supporting the obligatory insurance provisions under Article VII of 1992 CLC. The appeal is set to be heard in February 2021. However, in January 2020, the 1992 Fund was informed that the 1992 Fund's claims against the liquidation fund of the insurer, had been dismissed by the liquidator. Despite further enquiries made by the 1992 Fund's Greek lawyers, no reason has yet been provided of the reason for the dismissal, and further details are awaited from the Bank of Greece, being the supervising authority of the liquidation. The Fund's lawyers have sent the liquidator an extrajudicial declaration requesting the full list of claims and the justification for the dismissal of the Fund's claim. Further legal steps before the Athens Court of First Instance may be necessary to try to reinstate the Fund's claims before the liquidator.

26.10.7 A provision had already been made for the second clean-up contractor's claim that has been assessed by the 1992 Fund at EUR 100 000, which includes interest and legal costs. An offer of settlement at this figure was made to the second clean-up contractor in January 2017. However, the claimant did not accept the offer and the claim became time-barred. This provision was reversed in 2018. However, in September 2019, the 1992 Fund was served with legal proceedings by the second clean-up contractor, for some EUR 349 400 plus interest. The claim was heard by the Piraeus Court of First Instance in late January 2020 and the 1992 Fund defended the claim on the basis of time bar.

26.10.8 For the purpose of the contingent liabilities, fees and other costs for 2020 have been estimated at £100 000 *(2018: £75 000)*.

26.11 Nesa R3

26.11.1 On 19 June 2013, the 856 GT tanker *Nesa R3*, carrying 840 tonnes of bitumen from the port of Bandar Abbas in the Islamic Republic of Iran, sank off the Port Sultan Qaboos, Muscat, Sultanate of Oman, tragically claiming the life of its master.

26.11.2 In October 2013, the Government of Oman commenced legal action against the shipowner in the Court of Muscat, as the shipowner had refused to meet its obligation under the 1992 CLC. The insurer of the ship had also refused to consider any claims, citing the country of origin of the cargo as the reason.

26.11.3 In view of the considerations above, the 1992 Fund Executive Committee, at its session in October 2013, decided to authorise the Director to make payments of compensation in respect of claims arising from this incident.

26.11.4 In February 2016, the 1992 Fund joined the legal action by the Government of Oman against the shipowner and the insurer of the *Nesa R3*.

26.11.5 All claims in respect of this incident were settled in 2018. Thirty-three claims totalling OMR 5 915 218 have been received by the 1992 Fund. Twenty-eight claims have been settled and paid for a total amount of OMR 3 521 366 and BHD 8 419.35. The remaining claims have been assessed at nil.

26.11.6 In January 2018, the Court of Muscat issued a judgment which awarded OMR 1 777 113.44 and BHD 8 419.35 to the 1992 Fund. These payments correspond to the payments made up to the date of the judgment. The 1992 Fund is trying to pursue the shipowner/insurer to enforce the judgment.

26.11.7 Having reached a settlement of all the claims with the 1992 Fund, the Omani Government undertook to withdraw all claims from the proceedings.

26.11.8 For the purpose of contingent liabilities, fees and other costs for 2020 have been estimated at £250 000 *(2018: £50 000)*.

26.12 *Trident Star*

26.12.1 The ship is insured with the Shipowners' Club, which is part of the International Group of P&I Associations. The *Trident Star* was entered as a 'relevant ship' within the definition of STOPIA 2006 and therefore, STOPIA 2006 applies to this case, increasing the shipowner's limit to SDR 20 million.

26.12.2 Claims for pollution damage arising from this incident will surpass the 1992 CLC limit applicable to the Trident Star (SDR 4.51 million or RM 27.1 million). Although STOPIA 2006 applies to this incident, it is not likely that the STOPIA 2006 limit will be reached. The 1992 Fund will be liable to pay compensation once the 1992 CLC limit is reached, albeit all payments will be later recovered from the shipowner's insurer under STOPIA 2006.

26.12.3 Claims have been received for a total of USD 24.8 million. The liability limit applicable to the *Trident Star* is approximately USD 6.3 million. The Shipowners' Club has already paid some USD 7.2 million in compensation.

26.12.4 Four claims have been settled at USD 7.2 million and this amount has been paid by the shipowner's insurer. Seventeen claims remain outstanding for a total of USD 8 million. Since claims arising from this incident exceed the 1992 CLC limit applicable to the *Trident Star* of RM 27.1 million, the 1992 Fund is liable to pay compensation now, albeit all payments will be later recovered from the shipowner's insurer under STOPIA 2006.

26.12.5 For the purpose of contingent liabilities, fees and other costs for 2020 have been estimated at £100 000 *(2018: £100 000)*.

26.13 *Nathan E. Stewart*

26.13.1 In October 2018, the Director was served with proceedings concerning an incident that occurred two years earlier in 2016. On 13 October 2016, the articulated tug-barge (ATB), composed of the tug *Nathan E. Stewart* and the tank barge *DBL 55*, ran aground on Edge Reef near Athlone Island, at the entrance to Seaforth Channel, approximately 10 nautical miles west of Bella Bella, British Columbia, Canada. The tug's hull was eventually breached and approximately 110 000 litres of diesel oil was released into the environment. The tug subsequently sank and separated from the barge.

26.13.2 A First Nation community consisting of five tribes has brought a legal action against the owner, operators, the master and an officer of the *Nathan E. Stewart/DBL 55* ATB at the British Columbia Supreme Court. The claimants also include as third parties, among others, the Ship-source Oil Pollution Fund (SOPF) in Canada, the 1992 Fund and the Supplementary Fund.

26.13.3 The application of the Conventions is not clear in this case, principally on two fronts: firstly it has not been established whether the Nathan E. Stewart/DBL 55 ATB could be considered a 'ship' under Article I(1) 1992 CLC; and secondly, even if this was the case, the unit was not actually carrying oil in bulk as cargo at the time of the incident and it is not clear whether it was carrying any persistent oil in bulk as cargo during any previous voyage. Its last known cargo was jet fuel, a non-persistent product.

26.13.4 The legal action brought by the First Nation community at the British Columbia Supreme Court has been stayed by the Federal Court of Canada pursuant to an order rendered in July 2019 in the context of limitation proceedings commenced by the owners of the tug and the barge. The Federal Court has ordered that a Limitation Fund be constituted pursuant to the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (Bunkers Convention 2001), and the Convention on Limitation of Liability for Maritime Claims, 1976, as modified by the 1996 Protocol (LLMC 76/96), on the basis of the combined tonnage of the tug and barge. The Court has also concluded that there is no factual basis upon which a Civil Liability Convention fund could be constituted at this time.

26.13.5 Even if this case was proved to fall under the 1992 Civil Liability and Fund Conventions, there is no indication that the damages would exceed the shipowner's liability limit under the 1992 CLC.

26.13.6 For the purpose of the contingent liabilities, fees and other costs for 2020 have been estimated at £5 000 *(2018: £5 000)*.

26.14 *Agia Zoni II*

26.14.1 On 10 September 2017, the tanker *Agia Zoni II* sank at anchor in the Piraeus anchorage area, spilling approximately 700 tonnes of crude oil on the coast of Salamina Island, and subsequently around the coast of Piraeus along some 20 to 25 kilometres of coastline. The insurer (a fixed premium insurer) established a Limitation Fund for EUR 5.41 million and made it clear that it did not consider itself liable for any costs incurred thereafter.

26.14.2 Extensive clean-up operations commenced, involving, at times, over 400 personnel. Oil removal operations from the wreck were concluded by 30 October 2017. The salvors were then instructed to remove the wreck at no cost to the Greek Government. The wreck was lifted by 30 November 2017.

26.14.3 Given the impact on the coastline and the importance of the incident to the Greek Government, a local Claims Submissions Office was set up in October 2017.

26.14.4 The Limitation Fund administrator has concluded the claims evaluation procedure of the 84 claims filed at the Limitation Court (totalling EUR 94.4 million) by publishing his provisional assessments with an assessed figure totalling EUR 45.45 million. Every claimant against the Limitation Fund had the right to accept or appeal the provisional assessment by the end of September 2019 but only eight claimants appealed the assessment. A court hearing took place in January 2020 to deal with the appeals lodged against the Limitation Fund administrator's assessments. A further hearing took place on 25 February 2020.

26.14.5 By 13 March, the 1992 Fund had received 375 claims amounting to EUR 95.7 million and USD 175 000, with 315 claims approved and compensation payments totalling EUR 13.7 million paid. The 1992 Fund subrogated the claims it had paid against the Limitation Fund before the deadline (5 May 2018) for filing claims expired.

26.14.6 In July 2019, the 1992 Fund was served with legal proceedings filed at the Piraeus Court of First Instance by two of the clean-up contractors for the balance of their unpaid claims amounting to EUR 30.26 million and EUR 24.74 million respectively, after deducting the advance payments made so far. In December 2019, the third clean-up contractor also served the 1992 Fund with legal proceedings for its claim of EUR 8.9 million.

26.14.7 In September 2019, the 1992 Fund was served with legal proceedings by representatives of 78 fisherfolk, 39 of whom have already filed claims with the 1992 Fund's Claims Submissions Office. A court hearing date is awaited.

26.14.8 It is still early to determine what the final 1992 Fund's liability for this incident will be as claims are still being received and are being assessed. At the time of the incident, experts engaged by the 1992 Fund estimated that compensation in the region of some EUR 50 million to EUR 60 million may be payable for this incident. This amount includes the amount payable under the 1992 CLC, leaving an estimated amount of some EUR 55 million payable by the 1992 Fund.

26.14.9 The estimated amount payable by the 1992 Fund is set out below:

***Agia Zoni II* incident**	**Amount in euros**
Estimated compensation payable	60 000 000
Less CLC limit	5 400 000
Estimated liability for 1992 Fund	54 600 000
Less Compensation paid to 31 December 2019	11 483 388
Less Compensation Provision brought forward from 2018	77 787
Less Compensation Provision for 2019	2 595 753
Contingent liability	**40 443 072**

26.14.10 For the purpose of contingent liabilities, an estimate of EUR 40.4 million (£34.3 million) *(2018: £38.2 million)* of compensation and fees and other costs of £600 000 is made for 2020 *(2018: £600 000)*.

26.15 <u>*Bow Jubail*</u>

26.15.1 At its April 2019 session, the 1992 Fund Executive Committee noted that on 23 June 2018, the oil and chemical tanker m.t.v. *Bow Jubail* (23 196 GT) collided with a jetty owned by LBC Tank Terminal in Rotterdam, the Kingdom of the Netherlands. As a consequence of the collision, a leak occurred in the area of the starboard bunker tank, resulting in a spill of fuel oil into the harbour. At the time of the incident, the *Bow Jubail* was in ballast.

26.15.2 The shipowner applied before the Rotterdam District Court for leave to limit its liability in accordance with the LLMC 76/96 (SDR 14 312 384). The shipowner argued that the incident was covered under Article 1.8 of the Bunkers Convention 2001.

26.15.3 In November 2018, the Rotterdam District Court decided that the shipowner had not proved that the tanker did not contain residues of persistent oil at the time of the incident and that therefore the *Bow Jubail* qualified as a ship as per Article I(1) of the 1992 CLC. The shipowner has appealed to the Court of Appeal in The Hague

26.15.4 The ship is insured with Gard P&I (Bermuda) Ltd, which is a member of the International Group of P&I Associations. The limitation amount applicable to the *Bow Jubail* if the 1992 CLC was to apply would be SDR 15 991 676, but the owner of the *Bow Jubail* is a party to STOPIA 2006 (as amended 2017) whereby the shipowner would indemnify, on a voluntary basis, the 1992 Fund for the difference between the limitation amount applicable to the *Bow Jubail* under the 1992 CLC and the amount of compensation paid by the 1992 Fund, up to a limit of SDR 20 million.

26.15.5 It is likely that the total pollution damage will exceed the limit that would apply to the ship under the 1992 CLC and in that case, both the 1992 Fund Convention and the Supplementary Fund Protocol could apply to this incident. So far, the shipowner has received some 150 claims. The claims have not yet been quantified.

26.15.6 However, if the shipowner is successful in proving that there were no such residues on board, the incident would fall under the Bunkers Convention 2001 and therefore, the limitation amount of the LLMC 76/96 would apply and the 1992 Fund would not be involved in this case.

26.15.7 The Court of Appeal in The Hague has informed the parties that its judgment will be rendered on 12 May 2020.

26.15.8 For the purpose of contingent liabilities, fees and other costs for 2020 have been estimated at £50 000.

Note 27 — Commitments

27.1 On 15 February 2016, the Secretary-General of IMO and the Director of the IOPC Funds signed an agreement whereby IMO agrees to underlet to the IOPC Funds office space on the first-floor rear wing in its headquarters building. The lease came into effect on 1 March 2016 and will expire on 25 October 2032, with rent fixed at £258 000 per annum until the break point of 31 October 2024.

27.2 The United Kingdom Government meets 80% of the costs related to the rental of the Secretariat's office premises in the IMO headquarters building.

27.3 Future minimum lease payments payable by the 1992 Fund for the office in the IMO headquarters building:

	Secretariat office/storage space (100%) £
Not later than one year	258 000
Later than one year and not later than five years	989 000

Note 28 — Related parties and key management personnel

28.1 Key management personnel

	2019	*2018*
Number of individuals	5	*5*
	£	*£*
Basic salary and post adjustment	764,586	*743,747*
Entitlements	51,765	*53,752*
Provident Fund and health insurance	193,468	*176,570*
Total remuneration	**1,009,819**	***974,069***
Outstanding loans	-	*782*

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

28.3 In 2019 the aggregate remuneration paid to key management personnel included: net salaries; post-adjustment; entitlements such as representation allowance and other allowances; and the organisation's contribution to the Provident Fund and health insurance.

28.4 Key management personnel are also qualified for post-employment benefits at the same level as other employees. These benefits have been estimated by the management.

28.5 Related parties

The Director is *ex officio* Director of the Supplementary Fund. The Supplementary Fund is a related party to the 1992 Fund as they are both administered by the 1992 Fund Secretariat, for which the Supplementary Fund pays the 1992 Fund a management fee of £36 000 (*2018: £34 000*). At year end, an amount of £1 887 was receivable from the Supplementary Fund.

Note 29 — Events after reporting date

29.1 The 1992 Fund's reporting date is 31 December 2019.

29.2 On the date of signing these Financial Statements, there have been no other material events, favourable or unfavourable, incurred between the balance sheet date and the date when the Financial Statements were authorised for issue that would have impacted these statements.

29.3 The date of authorisation for issue is the date of certification by the External Auditor.

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