

2017



THE INTERNATIONAL TANKER OWNERS POLLUTION FEDERATION LIMITED

REVIEW

INCORPORATING 2017 DIRECTORS'
REPORT AND ACCOUNTS

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FRONT COVER
ITOPF technical team undertaking oil spill response training at CEDRE

Chairman's Statement



© Susanne Hokuba

Paddy Rodgers, ITOPF's Chairman

Will autonomous ships become a reality? If they do, are we equipped to fulfil our purpose, not just for today, but also for the future? For ITOPF, no less than for shipowners and operators, this will include anticipating the skills that the next generation of employees will need to have to give our businesses the edge in a competitive environment. Superior IT skills, sophisticated knowledge of control algorithms, sensors and satellites, and of course, cyber security, are likely to be the skills that are in demand alongside traditional seafaring skills.

Delving deeper into business risks to which the Federation might be exposed highlights the particular importance of managing those risks that are related to attracting and retaining staff, as well as planning succession. For a service-oriented organisation like ITOPF, where its primary purpose is the provision of objective technical advice, we will naturally be oriented towards ensuring that the team keeps pace with a changing world and that ITOPF develops those who deliver this service. In today's world, being ranked as a good place to work counts for a great deal. This includes providing a framework of good governance, a structure for staff to grow and develop, robust health & safety procedures, and policies and processes which support the work of the entire team. ITOPF has built a strong reputation over the years and is a good employer, as is demonstrated by the notable anniversaries that occurred during the year.

Communicating the value of an organisation through its vision, mission, core values and strategy is important and we have been reflecting on these as we lead up to our golden anniversary in 2018.

As highlighted by the activities described in the following pages, shipowners, insurers and the maritime community as a whole derive significant benefit from having access to ITOPF's expertise both in the aftermath of an incident and in education and assessment of preparedness and support work such as claims assessment.



Will autonomous ships become a reality?
(Photo: Rolls-Royce)

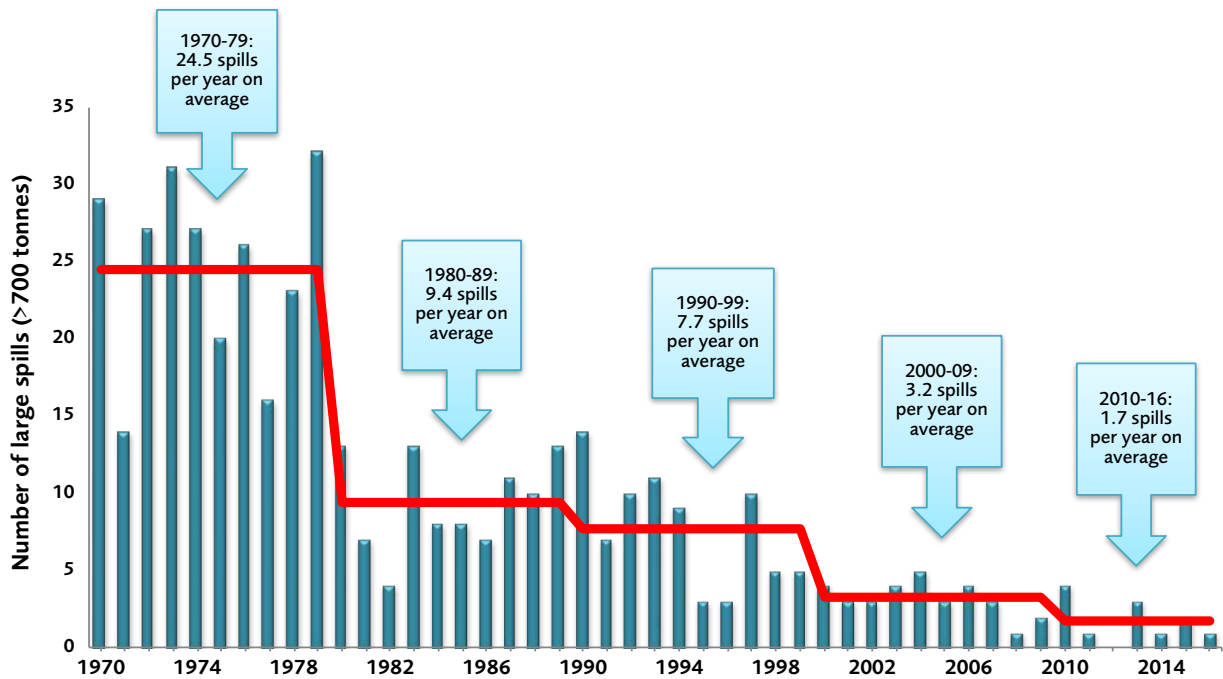
Technical Services

ITOPF's technical services encompass its primary role of responding 24/7 to incidents, where a release of bunker fuel or cargo has potential to adversely affect the environment or to cause economic loss. In the year under review, the team has responded to 20 incidents on site, of which about a third involved tankers. As in past years, the product spilt in the majority of these incidents was heavy fuel oil, being carried as bunkers. The most common cause of the incidents was grounding.

The largest spill recorded in the period under review resulted from an explosion and fire on board the MT BURGOS, off the coast of Veracruz, Mexico, and in a national park. The cargo spilt was non-persistent (gasoline and diesel) and, as a result, necessitated little by way of clean-up but the park is especially important for its coral reef systems. Consequently, in this incident, ITOPF's main role was to support the authorities as they carried out analysis to monitor the impact of the incident on the local environment.



Staff receiving training in Arctic survival techniques



ITOPF's 2016 statistics showed the downward trend in tanker spills continuing

Fortunately, the volume of oil involved in the majority of the incidents listed in the table overleaf was relatively small. That said, because of the persistence of the oil and the nature of issues arising, in some cases clean-up of the contaminated areas extended over several weeks or months. The most recent example of this is the MT DAWN KANCHIPURAM, in India, where for over two months ITOPF co-ordinated and supervised the contractors engaged by the shipowner and insurers. The case handlers and technical support team continue to be involved extensively in the assessment of claims arising from this incident.

Several of the incidents listed above occurred in countries where ITOPF has had prior experience working with authorities in those countries, either when supporting them during incidents or training. In particular, the value of having already established good working relationships in Madagascar, Taiwan, Brazil, Mauritius, Maldives, and Singapore was realised during these more recent incidents. MV NEW MYKONOS, for example, ran aground on the same uncharted shoal in Madagascar as another incident that ITOPF attended seven years ago, MV GULSAR ANA. In this more recent case, ITOPF provided the authorities with support assessing the risks associated with the loss of the cargo of coal. Similarly, ITOPF's attendance on site at the MV NGOC SON in the Maldives in August provided the opportunity to build on an earlier relationship established with the Maldivian authorities following the grounding of another cargo vessel in 2014. As a result, ITOPF was able to prevent the potentially harmful use of dispersants over a coral reef. The authorities also sought ITOPF's advice in connection with the jettisoning of a cargo of black aggregate which had stranded on a white coralline beach. It is encouraging to see the investment made over the years pay dividends in these most recent incidents.



ITOPF attended 20 incidents this year (picture shows incident in Taiwan)



Clean-up activities following a spill in India

INCIDENTS ATTENDED ON-SITE BY ITOPF STAFF IN THE 12 MONTHS TO 20TH FEBRUARY, 2017

Date	Name of ship	Size (GT)	Location	Product Spilt
29/02/2016	NEW MYKONOS	81152	Off Faux Cap, MADAGASCAR	Coal
10/03/2016	TS TAIPEI	15487	Taipei County, TAIWAN	IFO 380, MDO, Lube Oil
13/03/2016	ISTRA ACE	41000	Los Angeles, USA	IFO 380
10/05/2016	MSC ALEXA	42307	Tema, GHANA	Oil Contaminated Ballast Water
14/05/2016	PGC IKAROS*	40690	Quintero, CHILE	Slurry Oil
17/05/2016	SITEAM ANJA*	28027	Near Isla de Lobos, URUGUAY	Soybean Oil (no spill)
17/06/2016	BENITA	24953	Le Bouchon, MAURITIUS	HFO
01/08/2016	SHAO SHAN 5	41342	Santos, BRAZIL	IFO 380
07/08/2016	TOBA	44200	Santos, BRAZIL	IFO 380
13/08/2016	NGOC SON	4095	Off Fuvahmulah Island, MALDIVES	Bunker, Rock Aggregate and Sand
24/08/2016	TRIDENT STAR*	3177	Johor, MALAYSIA	RMK 500
24/09/2016	BURGOS*	25400	Veracruz, MEXICO	Gasoline, Diesel
02/10/2016	MSC PATRICIA	40465	Sines, PORTUGAL	IFO 500
05/12/2016	ISS CANTATA	19707	Luoyuan, CHINA	IFO 380
18/12/2016	LADY TUNA	4538	Izmir Province, TURKEY	IFO 180
24/12/2016	CABRERA	4244	Andros Island, GREECE	MDO, IFO 180, Lube Oil
03/01/2017	APL DENVER/ WAN HAI 301	43071 26681	Johor, MALAYSIA	RMK 500
24/01/2017	VIKTOR BAKAEV*	66855	SINGAPORE	IFO 380
28/01/2017	DAWN KANCHIPURAM*	29141	Chennai, INDIA	IFO 180
10/02/2017	VICTORIA	17188	Samsø Belt, DENMARK	HFO

* Tank vessel



The year's largest spill resulted from an explosion and fire on board a tanker off the coast of Veracruz, Mexico

Alongside attendance on site at new incidents, members of the team are often called upon to give their technical advice remotely. This usually arises in situations where there is the possibility of a spill that is not imminent, or when a vessel has sunk and advice on the potential effects of the oil or cargo is being sought. In the year under review, there have been a further 19 incidents for which ITOPF has provided advice remotely; mostly in connection with vessels that had sunk. In two incidents, both in China, ITOPF provided advice in relation to physical damage caused to fish farms from drifting vessels.

A natural corollary of ITOPF's involvement in incidents is to provide an assessment of the technical merit of claims for compensation arising from the incident. This service falls into the category of 'Damage Assessment & Claims Analysis'. Over the last couple of years, considerable work has been done by the Technical Support Team to streamline ITOPF's claims assessment processes internally. This is important as several incidents give rise to claims spanning many years, even decades. Being able to track the progress of ITOPF's assessments, as well as the outcome of subsequent negotiations and settlements, is especially important when rapid assessments are required to facilitate negotiations with the claimants.

The experience that ITOPF has accumulated over the years is frequently called upon when different parties are reviewing the terms and conditions relating to the provision of services and equipment contained in various oil spill response contracts. During the past year, ITOPF has been working alongside the International Group of P&I Clubs and the International Oil Pollution Compensation Funds (IOPC Funds) during their review of rates used for response services and equipment. Working co-operatively with government authorities, such as EMSA and the Maritime and Ports Authority (MPA) in Singapore, and response contractors in different



ITOPF also provides technical advice remotely



Signing of an MoU with the Singapore MPA



General cargo ship aground in the Maldives



ITOPF contributed to the IOPC Funds' new fisheries guidance document



Contingency planning workshop in Lebanon

countries has led to the development of standardised contracts and Memoranda of Understanding, which will improve efficiency in the contracting process and facilitate the payment of claims for compensation after an incident.

The Advisory services that ITOPF provides extend to drafting and reviewing text for publications prepared by some of ITOPF's key partners. During the year ITOPF has worked with the IMO to finalise the 'Guide on Oil Spill Response in Ice and Snow Conditions', and has also assisted with the revision of the IMO 'Manual on Oil Pollution' addressing Contingency Planning. ITOPF's experience of handling issues arising from fisheries closures was invaluable when drafting the text of the IOPC Funds' Guidance for Member States on 'Management of Fisheries Closures and Restrictions following an Oil Spill'. This manual was published in October and is an important addition to the series of guidance manuals available to assist countries in the aftermath of an incident. Work is continuing on revisions to the IMO guidelines on the use of dispersants, the IOPC Funds' guideline on environmental damage, and the IMO's series of model training courses.

Contingency planning and advisory assignments, like the ones mentioned above, help to develop lasting relationships with government agencies, maritime organisations and industry, as well as serving to build ITOPF's in-house expertise. Such work also maintains ITOPF's profile and reputation and enables key messages to be conveyed outside the demands of a real incident. ITOPF is a long-standing supporter and partner of the IMO's regional centre in the Mediterranean, REMPEC, and has been assisting the centre in support of contingency planning taking place in Lebanon and Libya, following some 18 months of preparatory work at ministerial level.

The team at ITOPF build and maintain relationships through the many training and educational assignments they provide, often at no cost, around the world. The experience that staff have gained from real incidents means they can speak with authority on the complex issues that can sometimes arise. Sharing this knowledge during drills and exercises with shipowners, insurers and government agencies is a key part of ITOPF's mission to protect the marine environment by promoting effective response to marine spills of oil, chemicals and other substances. During the year under review, the team has initiated and supported a number of training courses, seminars, workshops and conferences. ITOPF's new exercise 'game' has proven extremely popular during the last year.

As regards ITOPF's information services, during the course of the year, the first nine in the series of 17 Technical Information Papers (TIPs) were translated into Japanese by the Petroleum Association of Japan and are now available to download. Work is ongoing to translate the remainder. This brings the total number of languages in which the TIPs are available to nine. ITOPF's annual publication, 'Oil Tanker Spill Statistics', is an important source of reference for many within the maritime industry, as well as the media. The 2016 statistics showed that the downward trend in tanker spills is continuing. The average number of oil spills over 700 MT so far this decade is between one and two a year as compared to between 24 and 25 a year in the 1970s; the volume of oil spilt has also dramatically reduced, to around 1/100th of that lost at the beginning of the period. ITOPF, IMO and IOPC Funds launched an exhibition at the IMO in January called '50 Years Working Together'. This exhibition tells the story behind ITOPF's statistics and highlights the government and industry initiatives that are responsible for this positive trend. Contributions from key industry organisations are included in the exhibition, which is running until July 2017 and is also available on the IMO's website. Also during the year under review, the Information & Communications Team completed work on a new database to improve retrieval of data related to incidents that ITOPF has attended and to streamline the production of graphs, statistics and reports that use this data.

Since the ITOPF R&D Award was set up in 2011, some £250,000 has now been distributed to support R&D projects worldwide. These projects, which are described in more detail on ITOPF's website, have addressed challenges faced in spill response and environmental monitoring, such as how fish behave in the presence of dispersed oil; better data to evaluate the success of bird rehabilitation; the fate and behaviour of chemicals in the marine environment; emerging risks associated with marine transportation; and methods to detect oil under ice. The Award winners for the coming financial year (2017/18) will develop a prototype virtual reality game to facilitate training in preparedness and response. This important funding milestone demonstrates, in a practical sense, how shipowners and their insurers are supporting students worldwide who are undertaking research and development aimed at improving our understanding.

Administrative Matters

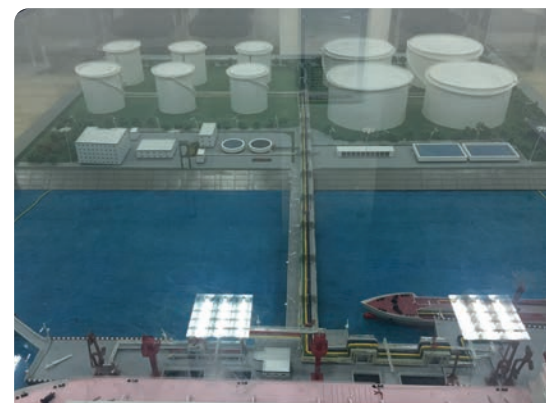
As at 20th February 2017, Membership tonnage stood at 410 million GT, representing an increase of 33 million GT (~9%) compared with the previous financial year. Associate tonnage stood at 779 million GT as at



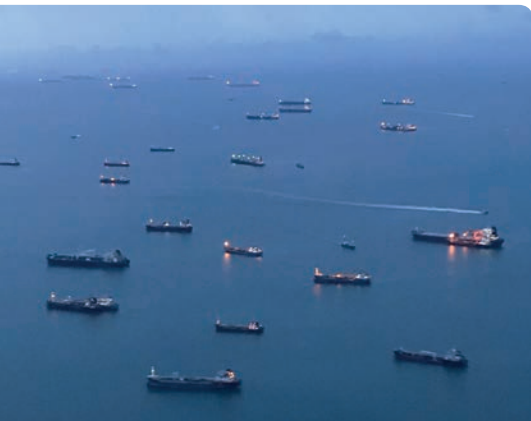
Running ITOPF's new exercise game at a training course in Shanghai



Opening of '50 years working together' exhibition



Facilities at the Virtual Reality Lab, Shanghai, winner of the 2017 ITOPF R&D Award



Associate tonnage stands at 779 million GT



ITOPF Board



Peter Michelmores, ITOPF's retiring Company Secretary and Pension Trustee

the same date, representing an increase of 13 million GT (~2%).

At its meeting on 12th November 2016, the Board of Directors set the dues for the year 2017/2018 at the same level as for the 2016/2017 financial year, at 0.50 of a UK penny per GT of Member tonnage plus a £20 Administration Fee per tanker, and 0.39 of a UK penny per GT of Associate tonnage. This maintains the proportion of income received at 1/3rd Members and 2/3rd Associates to reflect the trend both in terms of incidents attended and entries in ITOPF.

ITOPF will provide its services to ships involved in exploration and production (E&P) operations, recognising the multiple functions of these vessels and the fact that owners and operators wish to avail themselves of ITOPF's services. Such vessels are accepted provided that they satisfy the criteria of being either a Member or Associate. Amendments were made to paragraphs 4 and 8 of the Terms and Conditions to clarify that discretion as regards the provision of ITOPF's services will be provided in connection with incidents that arise as a result of a well blow-out or uncontrolled seepage from any well or equipment not contained within the ship.

Board of Directors

At the meeting of the Board on 12th November 2016, Directors were unanimous in their decision to reappoint me as Chairman of the Federation for a further two years. At the same meeting, the following Directors were appointed to the Board: Eng. Ibrahim Abdulrahman Al-Omar, Ms. Tracey Gunnlaugsson, Mr. Kevin Mackay and Mr. Kazuyoshi Takayama. As reflected in the Directors' Report, four Directors retired during the course of the year: Mr. Jack Buono, Ms. Ingvild Sæther, Mr. Bharat Sheth, and Mr. Hideyuki Takahashi. I appreciate the work that our outgoing Directors have done to support the work of ITOPF and I am grateful to the newly appointed Directors for their willingness to serve on the Board. I look forward to working with them.

After some 33 years of service to the Federation, Mr. Peter Michelmores retired as ITOPF's Company Secretary and Pension Trustee on 1st January 2017. Attempting to summarise the extraordinary commitment that he has given over these years and, in particular, his attentiveness to the administration of ITOPF's work and the pension scheme, is difficult. I have appreciated Peter's skilful crafting of the wording for ITOPF's AGM each year, his review and editing of meeting papers, minutes and Resolutions, and his ability to keep track of the legal duties of the Federation. He has maintained a special interest in ITOPF and, so he informs me, intends to keep abreast of ITOPF's activities whilst in retirement. The Board thanked Peter for his years of service at the meeting in November. We wish Peter a happy, well-deserved retirement and welcome, in his stead, Ms. Samantha Roberts, as the Federation's new Company Secretary, appointed so at the same meeting.

The importance of retaining high-level representation from ITOPF's shipowners on the Board cannot be understated. Directors' willingness to share the wealth of experience that they have assimilated in their own careers in order to nurture and guide the work of ITOPF is especially valued.



ITOPF Membership increased by 9% this year

Management and Staff

During the year the Managing Director focused on four main areas of ITOPF's business: Risk, Strategy, People and Processes. A Business Risks matrix, developed in draft for the Board at its meeting in November, provided a useful framework for assessing short and long-term strategy. A review of the risks and measures in place to manage those risks will form part of an ongoing process by ITOPF's management and Directors.

I have previously commented on the challenges faced by a small organisation when seeking to accommodate flexible working practices, especially a company whose key service is dependent upon staff being available 24/7. I am pleased to see that the initiatives put in place in 2015 have resulted in two Senior Technical Advisers returning to work during 2016. A further three new mothers gave birth during the year and it is hoped that present policies will facilitate their return to work in the summer of 2017.

Since the beginning of the year in review, two Technical Advisers have left the team: Rebecca Coward and Joe Green. In addition, a decision was taken at the end of the year not to renew the position of China Liaison Officer in China. This was primarily because of new legislation in China related to the employment of personnel by foreign non-governmental organisations and a need to ensure ITOPF's resources are appropriately balanced across all of its priority areas. I would like to thank Rose Ying for facilitating ITOPF's work in China over the last five years. Going forward, ITOPF will work to build on these important relationships by investing directly with the agencies in China using its technical expertise provided by staff in London. ITOPF is fully committed to supporting the authorities and other maritime agencies as they seek to improve preparedness and response to oil and chemical spills in China and activities are already planned for 2017.



Away-day for the ITOPF team at the Lee Valley White Water Centre



Going forward, ITOPF will work directly with China from its London office



Hands-on training for the technical team at CEDRE's facilities



Tim Wadsworth marks 25 years at ITOPF

As a result of vacancies and the restructuring that took place during the year, ITOPF welcomed six new members to the team. Claire Gorringer moved from her temporary position as Team Secretary to a permanent position in April; Jo Woodward joined as PA to the Managing Director and Technical Director in June; Nancy Wong and Phil Ruck joined as Technical Advisers, also in June; Susannah Domaile joined as Technical Support Co-ordinator in September; and Naa Sackeyfio joined as Information Data Analyst in October. In addition, Lucy Stocka and Nicholas Murray were employed for a year to provide maternity cover for Claire Keogh (HR & Pensions Administrator) and Karen Young (Membership Secretary) respectively. At the time of writing, two Technical Adviser positions are being advertised to fill existing vacancies.

In October, Tim Wadsworth marked an impressive 25 years working with ITOPF, and in November, Karen Purnell and Richard Johnson marked their 22nd anniversaries. Also, this year, Deborah McKendrick celebrated 20 years with ITOPF. These 'milestone' anniversaries are testament to the investment made to ensure ITOPF is an attractive employer. I congratulate Tim, Karen, Richard and Deborah and thank them for their loyal service.

Over the two years that I have been ITOPF's Chairman, I have come to know and to appreciate the work that the team does on behalf of the world's shipowners and insurers. As I begin a second tenure as Chairman, I look forward to seeing the fruition of plans that we have put in place to ensure ITOPF is equipped for the future.

PADDY RODGERS
Chairman



ITOPF's MD, Dr Karen Purnell

Directors' Report

for the year ended 20th February, 2017

The Federation is a company limited by guarantee and not having a share capital. The Federation provides technical services to its tanker owner Members and others in relation to ship-source spills of oil or chemicals, including advice on response, damage assessment and the analysis of claims for compensation; contingency planning and advisory work; and training and information. Owners and bareboat charterers of ships other than tankers are entitled to become Associates of the Federation and so to benefit from the Federation's technical services on a similar basis to its tanker owner Members.

A Statement by the Chairman containing a report on the activities of the Federation during the year under review accompanies this Report. The Directors accept and endorse the Chairman's Statement.

The Directors present the audited accounts of the Federation for the year ended 20th February, 2017, which show a surplus (after tax) of £240,219 (2016: £106,242 deficit) and a deficit carried forward amount of £3,488,784 (2016: £904,292 deficit). During the year the Federation made charitable donations of £750 both to the Royal National Lifeboats Institute and MSF Doctors without Borders and £500 to the Countess Mountbatten Hospice (2016: £1,110 to the Sailors' society; £500 to The Mission to Seafarers and £250 to both the British Red Cross and MSF Doctors without Borders).

The Directors of the Federation as at 20th February, 2017 were:

P. Rodgers (Chairman)	K. J. Purnell (Managing Director)	
I.A. Al-Omar	G. Henderson	M.H. Ross
B. Chiu	D.R. Kurz	J.A.B. Soares
S.L. Dio	K. Mackay	K. Takayama
M.H. Engelstoft	P. Markides	H. Thiede
B. Ghouth	M.F. Martecchini	C.P. Williams
T.C. Gunnlaugsson	N. Ohsumi	C. Wu
E. Hånell	S. Popravko	M.J. Zhu
J. Hare	S. Rosina	

H. Takahashi resigned as a Director on 31 March 2016, J.J. Buono resigned as a Director on 1 July 2016, I. Saether and B. Sheth resigned as Directors on 8 November 2016.

Messrs. I.A. Al-Omar, T.C. Gunnlaugsson, K. Mackay and K. Takayama, who were appointed as Directors on 8 November 2016, will retire at the forthcoming Annual General Meeting and offer themselves for reappointment.

The Directors due to retire by rotation at the next Annual General Meeting in accordance with the Articles of Association are Messrs S.L. Dio, B. Ghouth, J. Hare, G. Henderson, N. Ohsumi, M.H. Ross, and J.A.B. Soares. The retiring Directors are eligible to offer themselves for reappointment.

The Alternate Directors of the Federation as at 20th February, 2017 were:

K. Atsumi	C.M. McLeod	N.H. Schües
C.G. Bastis	Y. Nishijima	J.H.K. Sonesson
L.J.D.S. Cabral	I. Pankov	J. Sy
P.M. Davies	A. Paulson	T. Thomassen
C. Guddal	I. Sæther	D.X. Zhang
B.R. Horsburgh	H. Sawabe	

K. Atsumi resigned as an Alternate Director on 31 March 2016 and was reappointed as an Alternate Director on 8 November 2016, S.N.B. Fallou resigned as an Alternate Director on 28 April 2016, T. Icot resigned as Alternate Director on 8 November 2016, Y. Sukhanov was appointed and resigned as an Alternate Director on 8 November 2016. E. Tominaga resigned as an Alternate Director on 31 March 2016. T.A.H. Bakheet resigned as an Alternate on 26 October 2016.

B.R. Horsburgh was appointed as an Alternate Director on 28 April 2016, Y. Nishijima was appointed as an Alternate Director on 24 June 2016, T. Thomassen was appointed as an Alternate Director on 25 May 2016 and I. Saether and D.X. Zhang was appointed as an Alternate Directors on 8 November 2016.

Directors' Confirmation

Each of the persons who are directors at the time when this Report is approved has confirmed that:

- (a) so far as each Director is aware, there is no relevant audit information of which the Federation's auditors are unaware; and
- (b) each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Federation's auditors in connection with preparing their report and to establish that the Federation's auditors are aware of that information.

This Report has been prepared in accordance with the small companies' regime of the Companies Act 2006.

By Order of the Board

SAMANTHA ROBERTS

Secretary

The International Tanker Owners Pollution Federation Limited

Registered number 944863

14th June, 2017

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are 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 company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor's Report

Independent Auditor's Report to the Members of The International Tanker Owners Pollution Federation Limited (A Company Limited by Guarantee).

We have audited the financial statements of The International Tanker Owners Pollution Federation for the year ended 20th February, 2017 which are set out on pages 14 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 20th February, 2017 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

CASSIE FORMAN

Senior Statutory Auditor

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street

London EC1A 4AB

26th June, 2017

Statement of Comprehensive Income for the year ended 20th February, 2017

	Note	2017 £	2016 £
Turnover	4	5,330,259	5,342,148
Administrative expenses	6	(4,995,862)	(5,326,647)
Operating surplus		334,397	15,501
Net interest and similar income and charges	5	(90,607)	(116,843)
Revenue surplus/(deficit) on ordinary activities before taxation		243,790	(101,342)
Taxation	9	(3,571)	(4,900)
Revenue surplus/(deficit) on ordinary activities after taxation	10	240,219	(106,242)
Other comprehensive income			
Actuarial (loss)/gain on the pension scheme	16	(2,824,711)	1,625,326
Total comprehensive (loss)/income for the year		(2,584,492)	1,519,084

All results relate to continuing activities.

Statement of Financial Position

at 20th February, 2017

	Note	2017		2016	
		£	£	£	£
Fixed assets					
Property, plant and equipment	12		<u>182,015</u>		<u>196,482</u>
			182,015		196,482
Current assets					
Stocks	13	9,190		9,233	
Debtors	14	480,069		572,560	
Cash and cash equivalents		<u>2,592,334</u>		<u>1,884,573</u>	
		3,081,593		2,466,366	
Creditors: amounts falling due within one year	15	<u>(623,947)</u>		<u>(627,321)</u>	
Net current assets			<u>2,457,646</u>		<u>1,839,045</u>
Net assets excluding pension liability			<u>2,639,661</u>		<u>2,035,527</u>
Pension liability	16	<u>(6,128,445)</u>		<u>(2,939,819)</u>	
Net liability including pension liability		<u>(3,488,784)</u>		<u>(904,292)</u>	
Accumulated revenue deficit	10	<u>(3,488,784)</u>		<u>(904,292)</u>	

These financial statements have been prepared in accordance with the small companies regime of the Companies Act 2006.

These financial statements were approved by the Board of Directors on 14th June, 2017 and were signed on its behalf by:

P. RODGERS
14th June, 2017

Statement of Changes of Equity

for the year ended 20th February, 2017

	Accumulated revenue deficit £
Balance at 21st February 2015	(2,423,376)
Comprehensive income:	
Revenue deficit on ordinary activities after taxation	(106,242)
Other comprehensive income:	
Actuarial gain on the pension scheme	<u>1,625,326</u>
Balance at 20th February 2016	(904,292)
Comprehensive income:	
Revenue surplus on ordinary activities after taxation	240,219
Other comprehensive income:	
Actuarial loss on the pension scheme	<u>(2,824,711)</u>
Balance at 20th February 2017	<u><u>(3,488,784)</u></u>

Statement of Cash Flows

for the year ended 20th February, 2017

	2017 £	2016 £
Cash flows from operating activities		
Surplus/(deficit) before tax	243,790	(101,342)
Adjustments for:		
Depreciation	100,199	109,123
Interest income	(11,488)	(15,041)
Interest expense	102,095	131,884
Decrease in stocks	43	671
Decrease/(increase) in debtors	92,491	(41,562)
(Decrease)/increase in creditors	(2,045)	143,145
FRS102 additional pension cost of service	261,820	358,634
Taxation paid	(4,900)	(4,595)
Net cash generated from operating activities	782,005	580,917
Cash flows from investing activities		
Purchase of property, plant and equipment	(85,732)	(57,547)
Interest received	11,488	15,041
Net cash used in investing activities	(74,244)	(42,506)
Net increase in cash and cash equivalents	707,761	538,411
Cash and cash equivalents at the start of the year	<u>1,884,573</u>	<u>1,346,162</u>
Cash and cash equivalents at the end of the year	<u><u>2,592,334</u></u>	<u><u>1,884,573</u></u>

Notes to the financial statements

1 Members' guarantee

Under the Memorandum of Association each Member is committed, in the event of the company being wound up whilst it is a Member, or within one year thereafter, to contribute a sum not exceeding £5. At 20th February, 2017 there were 7,777 Members (2016: 7,367).

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with the *Financial Reporting Standard 102* issued by the Financial Reporting Council.

The financial statements have been prepared on the going concern basis which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business. The company has an accumulated deficit carried forward at the year-end as a result of the defined benefit scheme liability. This liability is not expected to crystallise in the foreseeable future and therefore the going concern basis of preparation is considered to be the appropriate basis.

Foreign currencies

The company has a presentation currency of Pounds Sterling (GBP) and has determined that Pounds Sterling is its functional currency, as this is the currency of the economic environment in which the company predominantly operates.

Transactions in currencies other than GBP are recorded using the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the reporting date and the gains or losses on translation are included in the result for the year.

Turnover

Turnover includes Members and Associates dues and a Members Administration Fee introduced for the first time on 21st February 2016. Members and Administration Dues are paid annually and comprise a set annual charge per gross tonnage. Members Administration Fee is a set fee per Member paid annually. The level of dues per gross tonne for each respective class (Members and Associates) and the Members Administration charge are fixed by the Board at the Annual Board of Directors Meeting. Both Members and Associates dues and Members Administration Fees are accounted for on an accruals basis.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

For leases accounted for as 'operating leases', the rental payments are charged to the profit and loss account on a straight-line basis over the life of the lease.

Fixed assets and depreciation

Computer equipment and fixtures and fittings are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Computer equipment: 33.3% per annum on a straight line basis
Furniture and fittings: 15% per annum on a diminishing balance basis

Books, manuscripts, pictures and artwork are not depreciated on the basis that their expected residual value exceeds their cost.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period if there are indicators of change. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable amount.

Impairment of non-financial assets

At each reporting date, the company reviews the carrying amounts of its property, plant and equipment, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Stocks

Stocks represent the value of publications held for free distribution as part of the service provided by the company and are stated at cost. Cost comprises the printing and production cost of the publication and is determined using the first-in, first-out ('FIFO') method.

Financial assets and liabilities

Financial instruments are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at their transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are measured as set out below. Financing transactions are measured at the present value of their future cash flows, discounted at a market rate of interest for a similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102. All financial instruments held by the company have been classified as basic.

At the end of each reporting period, debt instruments classified as basic are measured at amortised cost using the effective interest rate method.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably. The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- i. significant financial difficulty of the obligor;
- ii. a breach of contract, such as a default or delinquency in payments;
- iii. the company, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the lender would not otherwise consider;
- iv. it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

As an initial step the company assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced to the present value of estimated future cash flows and the amount of the loss is recognised in the income statement. Where the investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

In the case of financial assets measured at cost, the impairment loss will be the difference between the asset's carrying amount and the best estimate of the sales price that would be achieved at the reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Trade debtors

Trade debtors are amounts due primarily from P&I Clubs in respect of technical services provided to them by ITOPF. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally the invoice price, less any allowances for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks which are readily convertible, being those with original maturities of three months or less.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as creditors falling due within one year if payment is due within one year or less. If not, they are presented as creditors falling due after one year.

Trade creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

Pensions

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial

valuations being carried out at each reporting date. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in other comprehensive income. All costs related to the defined benefit plan are recognised in the income statement within employee benefit costs.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

3 Critical accounting estimates and judgements

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Defined benefit pension scheme

The present value of the defined benefit pension depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension include the discount rate.

Any changes in these assumptions will have an effect on the carrying amount of pension and other post-employment benefits.

After taking appropriate professional advice, management determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, consideration is given to the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits are to be paid and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions relevant to the defined benefit pension and other post-employment benefit obligations are based in part on current market conditions. Additional disclosures concerning these obligations are given in note 16.

4 Analysis of turnover

Turnover represents Membership dues, Membership administration fees, Associate dues and cost recoveries for services rendered to third parties, net of Value Added Tax.

	2017 £	2016 £
By activity		
Membership dues	1,967,319	2,102,858
Membership administration fees	255,363	-
Associate dues	3,028,098	3,099,304
Royalties	8,365	11,570
Cost recoveries and other income	71,114	128,416
	<u>5,330,259</u>	<u>5,342,148</u>

5 Net interest and similar income and charges

	2017 £	2016 £
Bank interest	11,488	15,041
Net return on pension scheme (Note 16)	(102,095)	(131,884)
	<u>(90,607)</u>	<u>(116,843)</u>

6 Administrative expenses

	2017 £	2016 £
Salaries and other employment costs (Note 8)	3,075,609	3,231,393
Auditor's remuneration – statutory audit fees	14,000	14,000
Auditor's remuneration – Corporation Tax fee	3,600	3,500
Professional fees	404,260	405,480
Property lease rentals payable	213,145	212,563
Depreciation of tangible fixed assets (Note 12)	100,199	109,123
Technical information and publications	105,423	244,544
Raising awareness	75,252	90,160
Research and development awards	45,501	45,917
Office and administrative expenses	958,873	964,542
	<u>4,995,862</u>	<u>5,326,647</u>

7 Remuneration of Directors

The emoluments of the Chairman were £nil (2016: £nil) and the emoluments of the highest paid Director were £187,031 (2016: £158,340); none of the other 25 Directors (2016: 25) received any emoluments in respect of services rendered to the company (2016: £nil). One Director is entitled to benefits under a defined benefit pension scheme (2016: one). No Directors are entitled to benefits under defined contribution schemes.

8 Staff numbers and costs

The average number of persons employed by the company (including the Managing Director) during the year, analysed by category, was as follows:

	Number of employees	
	2017	2016
Technical and information staff	21	23
Administration	11	9
	<u>32</u>	<u>32</u>

The aggregate payroll costs of these persons were as follows:

	2017 £	2016 £
Wages and salaries	2,069,916	2,105,697
Social security costs	218,883	228,739
Pension costs (<i>Note 16</i>)	786,870	896,957
	<u>3,075,609</u>	<u>3,231,393</u>

9 Taxation

The company is subject to United Kingdom corporation tax on the interest received from investments and on book and video royalties. The charge for the year represents UK Corporation Tax at 20% (2016: 20%) on this income.

As a mutual trading association, ITOPF is not liable to corporation tax on any surplus profit to the extent to which it arises directly from members' subscriptions. All other sources of income fall within the charge to corporation tax.

	2017 £	2016 £
Current Corporation Tax charge for the year:		
Revenue surplus/(deficit) before tax	<u>243,790</u>	<u>(101,342)</u>
Expected tax charge at 20%	48,758	(20,268)
(Surplus)/deficit above, not subject to UK Corporation Tax	<u>(45,187)</u>	<u>25,168</u>
Current Corporation Tax charge for the year	<u>3,571</u>	<u>4,900</u>

10 Reserves

	2017 £	2016 £
Revenue (deficit) brought forward	(904,292)	(2,423,376)
Revenue surplus/(deficit) for the year	240,219	(106,242)
Actuarial (loss)/gain for the year (<i>Note 16</i>)	<u>(2,824,711)</u>	<u>1,625,326</u>
	<u>(3,488,784)</u>	<u>(904,292)</u>

11 Commitments

The minimum future lease rentals payable under non-cancellable operating leases for land and buildings are as follows:

	2017 £	2016 £
Not later than 1 year	242,000	242,000
Within 2 to 5 years	<u>121,000</u>	<u>363,000</u>
	<u><u>363,000</u></u>	<u><u>605,000</u></u>

12 Property, plant and equipment

	Computer Equipment £	Furniture & Fittings £	Total £
Cost			
At beginning of year	635,737	386,727	1,022,464
Additions	63,191	22,541	85,732
Disposals	<u>(42,492)</u>	<u>-</u>	<u>(42,492)</u>
At end of year	<u>656,436</u>	<u>409,267</u>	<u>1,065,704</u>
Depreciation			
At beginning of year	558,323	267,659	825,982
Disposals	<u>(42,492)</u>	<u>-</u>	<u>(42,492)</u>
Charge for year	<u>80,128</u>	<u>20,071</u>	<u>100,199</u>
At end of year	<u>595,959</u>	<u>287,729</u>	<u>883,689</u>
Net book value			
At 20th February, 2017	<u><u>60,477</u></u>	<u><u>121,538</u></u>	<u><u>182,015</u></u>
At 20th February, 2016	<u><u>77,414</u></u>	<u><u>119,068</u></u>	<u><u>196,482</u></u>

For insurance purposes, on 14th July 2015, external valuers, Gurr-Johns, revalued ITOPF's Books and Manuscripts at £329,500 (2010: £331,600). This valuation was based on replacement in the retail or second hand market with items of a similar nature, age, condition and quality.

13 Stocks

Stocks represent the value of publications held in stock valued at the lower of cost and net realisable value.

14 Debtors

	2017	2016
	£	£
Trade debtors	151,693	243,206
Other debtors including VAT	75,039	51,067
Prepayments and accrued income	<u>253,337</u>	<u>278,287</u>
	<u>480,069</u>	<u>572,560</u>

15 Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	82,489	119,447
Other taxes and social security	83,829	79,284
Other creditors	766	16,803
Corporation Tax	3,571	4,900
Accruals and deferred income	<u>453,292</u>	<u>406,887</u>
	<u>623,947</u>	<u>627,321</u>

16 Pensions

The company operates a funded defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

The contributions are determined by a qualified actuary on the basis of actuarial valuations. The most recent full actuarial valuation, as at 1st January 2014, showed that on an ongoing basis the value of the scheme liabilities was £14,242,153 allowing for projected future earnings increases, and the market value of the scheme's assets was £15,128,656. The market value of the assets represents 106% of the accrued liabilities.

The principal assumptions used in the valuation were that the investment returns will match salary inflation and will exceed future pension increases by 2.2% per annum for benefits accrued after 5th April 1997, and 2.7% for benefits accrued before 6th April 1997. The Projected Unit Method was used to determine the value of the liabilities and the Standard Contribution Rate.

The most recent actuarial valuation of the scheme on FRS102 assumptions was carried out on 20th February, 2017 by an independent actuary. The fair value of the scheme's assets valued as at this date was £24,032,162 (2016: £18,450,293), which is not intended to be realised in the short term and may be subject to significant change before being realised. The present value of the scheme's liabilities on the same date was £30,160,607 (2016: £21,390,112), which was derived from cash flow projections over long periods and is thus inherently uncertain. The result of these valuations gave rise to a net pension liability of £6,128,445 (2016: net pension liability £2,939,819).

The major assumptions used by the actuary were:

	At 20.02.17	At 20.02.16
Discount rate	2.8%	3.9%
Aggregate long-term expected rate of return on assets	2.8%	3.9%
Rate of increase in salaries	5.2%	4.7%
Inflation assumption RPI	3.7%	3.2%
Inflation assumption CPI	2.7%	2.2%
Rate of increase in pensions in payment (Limited Price Indexation)	3.5%	3.1%

Expected contributions paid during the period following disclosure date:

	£
Expected contributions paid during the period following the disclosure date (i.e. 21st February, 2017 – 20th February, 2018)	550,000

The aggregate assets of the defined benefit scheme are comprised as follows:

	2017 %	2016 %
Equities	-	-
Bonds	36.3	32.4
GARS	33.8	34.0
Cash	1.0	1.7
Insured liability	0.3	0.3
Liability driven investments	28.6	31.6
	<u>100.0</u>	<u>100.0</u>

Reconciliation of the opening and closing balances of the fair value of assets:

	2017 £
Fair value of scheme assets at beginning of period	18,450,293
Interest income	715,004
Return on scheme assets (excluding interest income)	4,622,034
Contributions (Employer)	525,050
Contributions (Employee)	77,810
Benefits paid	(358,029)
Fair value of scheme assets at end of period	<u>24,032,162</u>

Actual return on scheme assets:

	2017 £	2016 £
Actual return on scheme assets	5,337,038	(201,259)

Net defined benefit pension scheme liability:

	2017 £
Defined benefit obligation at beginning of period	(2,939,819)
Actuarial loss for the year	(2,824,711)
Current service cost	(786,870)
Finance cost	(102,095)
Contribution paid	525,050
	<u>(6,128,445)</u>

Total expense recognised in the income statement:

	2017 £	2016 £
Current service cost	786,870	896,957
Interest cost	817,099	780,023
Interest income	<u>(715,004)</u>	<u>(648,139)</u>
Total profit and loss charge	<u>888,965</u>	<u>1,028,841</u>

Total amounts recognised in other comprehensive income

	2017 £	2016 £
Actuarial (loss)/gain on scheme liability	(7,446,745)	2,474,724
Actuarial gain/(loss) on scheme assets	<u>4,622,034</u>	<u>(849,398)</u>
Actuarial (loss)/gain for the period	<u>(2,824,711)</u>	<u>1,625,326</u>

Annual General Meeting

The Annual General Meeting of The International Tanker Owners Pollution Federation Limited will be held at the Shangri-La Hotel, 22 Orange Grove Road, 258350, Singapore, on 9th November, 2017 at 8.30am for the following purposes:

- 1 To receive the Accounts of the Federation for the financial year ended 20th February, 2017, and Reports of the Directors and of the Auditors.
- 2 To appoint Directors.
- 3 To reappoint the Auditors and authorise the Directors to fix the Auditor's remuneration.

By Order of the Board

SAMANTHA ROBERTS

Secretary

14th June, 2017

Registered Office:

1 Oliver's Yard

55 City Road

London EC1Y 1HQ

Registered in England No. 944863

Notes:

- 1 A corporation which is a Member of the Federation may by resolution of its directors or other governing body authorise such person as it thinks fit to act as the representative of such corporation at the Meeting.
- 2 A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy must be a duly authorised representative of a Member.



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