



## Meeting of States Parties

Distr.: General  
13 April 2009

Original: English

---

**Nineteenth Meeting**  
New York, 22-26 June 2009

### **Report of the external auditor for the financial period 2007-2008, with financial statements of the International Tribunal for the Law of the Sea as of 31 December 2008**

#### **Note by the Registrar**

1. BDO Warentreuhand Aktiengesellschaft (hereinafter “the Auditor”) audited the financial statements of the Tribunal for the financial period 1 January 2007 to 31 December 2008 in February 2009 and submitted its report on 11 February 2009 (see annex I). An audit of certain aspects of the Tribunal’s operational procedures was also undertaken by the Auditor, as indicated in the letter of engagement of 8 March 2006, signed by the Registrar (see annex II).
2. It is noted from the report that the Auditor was of the view that the financial statements were in accordance with the Financial Regulations and Rules of the Tribunal and gave a true and fair view of the net assets, financial position and results of operations of the Tribunal. The Auditor also noted that the accounting principles were applied on a basis consistent with that of the preceding financial period. The Auditor further stated that transactions were in accordance with the Financial Regulations and Rules of the Tribunal and legislative authority.
3. Financial regulation 12.8 stipulates that “the Tribunal shall examine the financial statements and the audit reports and shall forward them to the Meeting of States Parties, with such comments as it deems appropriate”.



## Annex I

### **Report of the External Auditor for the financial period 2007-2008, with financial statements of the International Tribunal for the Law of the Sea as of 31 December 2008**

#### Contents

	<i>Page</i>
I. Assignment .....	4
II. General statements .....	5
Budget and financial performance of the Tribunal .....	5
III. Nature and scope of the audit .....	6
IV. Statements and explanations on the financial reporting .....	7
A. Conformity of the financial reporting .....	7
1. Bookkeeping and other audited evidence .....	7
2. Financial statements .....	8
B. Overall assertions of the financial statements .....	8
V. Statements on the additional audit scope .....	8
VI. Auditor's report .....	8
 Appendices	
I: Financial statements of the International Tribunal for the Law of the Sea for the period from 1 January 2007 to 31 December 2008 .....	10
Statement of income, expenditures and changes in reserves and fund balances for the period from 1 January 2007 to 31 December 2008 .....	10
Statement of assets, liabilities, reserves and fund balances for the period from 1 January 2007 to 31 December 2008 .....	11
Statement of cash flows for the period from 1 January 2007 to 31 December 2008 .....	12
Notes to the financial statements for the period from 1 January 2007 to 31 December 2008 .....	13
Financial report of the Registrar for the period from 1 January 2007 to 31 December 2008 .....	17
II: Expenditure report for the period from 1 January 2007 to 31 December 2008 .....	21
III: Status of 1996-2008 contributions to the International Tribunal for the Law of the Sea ..	23
IV: Performance reports .....	29
Performance report on the grant given to the Tribunal by the Korea International Cooperation Agency (KOICA) .....	29
Performance report on the grant given to the Tribunal by the Nippon Foundation .....	30

---

V: Audit procedures and results of additional audit scope for the financial period from 1 January 2007 to 31 December 2008 . . . . .	31
VI: General engagement terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften, including special conditions . . . . .	34

## I. Assignment

At the fifteenth Meeting of States Parties to the United Nations Convention on the Law of the Sea (16-24 June 2005), we were appointed as auditors of the International Tribunal for the Law of the Sea, Hamburg (also referred to as “the Tribunal”) for the financial period from 1 January 2007 to 31 December 2008. Accordingly, the Registrar of the Tribunal assigned us to audit the financial statements, including the bookkeeping, of the Tribunal for the period 1 January 2007 to 31 December 2008.

Within the scope we have additionally audited certain aspects of operating procedures for the financial period 1 January 2007 to 31 December 2008 requested by the Tribunal. The additional audit scope included the following:

(a) Whether expenses incurred during this financial period are in accordance with the appropriations approved by the Meeting of States Parties;

(b) Whether expenditures incurred during this financial period have been appropriately authorized by the party designated for that purpose in the Financial Regulations and Rules of the Tribunal;

(c) Whether staff and persons being paid by the Tribunal have been recruited or engaged in the manner provided for in the Staff Rules of the Tribunal and the Financial Regulations and Rules of the Tribunal;

(d) Whether goods and services have been procured in accordance with the procedures provided for in the Financial Regulations and Rules of the Tribunal;

(e) Whether goods and services that have been procured are necessary or not excessive, having regard to circumstances and the functions of the Tribunal;

(f) Whether the grant given to the Tribunal by the Korea International Cooperation Agency of the Republic of Korea (KOICA), which is maintained in a separate trustee account, is administered in accordance with the memorandum of understanding dated 9 March 2004;

(g) Whether the grant given to the Tribunal by the Nippon Foundation, which is maintained in a separate trustee account, is administered in accordance with the Nippon Foundation Grant Agreement dated 30 March 2008.

This audit report was prepared only for purposes of documenting the audit performed vis-à-vis the Tribunal and not for purposes of third parties.

We conducted our audit work in February 2009 in the premises of the Tribunal in Hamburg. The report was finalized in our office in Lübeck.

We have prepared this audit report in accordance with German generally accepted reporting standards applicable to the audit of financial statements (auditing standard PS 450 of the German Institute of Auditors, Düsseldorf (Institut der Wirtschaftsprüfer in Deutschland e. V. - IDW).

For the performance of the audit assignment and our responsibility, including those to third parties, the general terms of assignment for auditors and audit companies as of 1 January 2002, as well as the special conditions for the increase of liability in connection with the general terms of assignment, are applicable. These terms are attached in appendix VI. The increase of liability is not applicable if for

professional performances, especially audits required by law, a lower amount of liability is determined by law. In those cases, the legally determined amount of liability is applicable.

## II. General statements

### Budget and financial performance of the Tribunal

The Meeting of State Parties, at its sixteenth meeting (19-23 June 2006), approved the budget of the Tribunal for the financial period 1 January 2007 to 31 December 2008, amounting to €17,214,700, as set out in document SPLOS/145.

With a view to providing the Tribunal with the necessary financial means to consider cases in 2007-2008, in particular those requiring expeditious proceedings, the Meeting of States Parties also approved the amount of €2,406,000 as case-related costs of the Tribunal. The case-related costs shall be used only in the event of cases being submitted to the Tribunal.

The statement of income, expenditures and changes in reserves and fund balances for the financial period 1 January 2007 to 31 December 2008 shows an excess of income overexpenditure of €3,013,669 (appendix I).

Total income of €17,751,702 includes assessed contributions (€17,214,700) and other net income (€537,002). Other net income consists of interest income (€12,671), savings due to cancellation of prior period obligations (€107,160), net gains of exchange (€7,436) resulting from fluctuations in exchanges rates and miscellaneous income (€9,735).

From the approved budget for the financial period 2007-2008 amounting to €17,214,700, a total amount of €14,738,033 was spent against approved budget lines, resulting in savings of €2,476,667 (appendix II). Although the overall budget was underspent, overexpenditure was incurred in the budget line “Operating expenditures — Special services (external audit)” (€700). This overexpenditure was due to an interim audit in 2008 to confirm the final cash surplus. The Tribunal was able to finance the overexpenditures by using savings from other budget lines in the same section, in accordance with the financial rule 104.3.

The savings under recurrent expenditures were mainly achieved in the appropriation sections “Staff costs” (€295,165) and “Judges” (€32,696). Due to vacant posts during the financial period 2007-2008, expenditures in the budget line “Common staff costs” were lower than planned in the budget. The savings in the budget line “Judges” mainly resulted from the re-election of five judges in 2008, while provisions were made in the budget approved in 2006 for additional pension payments with respect to the seven judges whose terms of office came to an end on 30 September 2008.

Budget estimates included in the “Case-related costs” section are based mainly on the number of cases submitted to the Tribunal during the financial period. In 2007 two cases were submitted simultaneously to the Tribunal and were dealt with within a period of one month. In 2008 no further cases were submitted to the Tribunal, which resulted in savings in “Case-related costs” in the amount of €1,850,081.

The Tribunal realized positive cash flows from operating activities in the financial period 2007-2008 (€3,972,032) (appendix I) mainly resulting from the excess of income overexpenditure for the respective period and the decrease in contributions receivable. The positive cash flows from investing and financing activities consist of interest income (€12,671). The negative cash flows from other sources (- €39,069) result from the surrender of prior period savings and reserves to the States Parties. In total, cash and term deposits of the Tribunal increased by €3,445,634 to €7,362,182.

Total reserves and fund balances increased by €1,154,944 to €4,994,176, owing mainly to the excess of income overexpenditure in the financial period 2007-2008. The prior period gains represent the excess of income overexpenditure from the prior financial period of €1,021,375. The initial reserve balance was €2,605,614. From that balance, an amount of €351,899 was surrendered and deducted from the assessed contributions of the States Parties for 2008 in accordance with the decision of the Meeting of States Parties in June 2007 (SPLOS 161). Furthermore, €1,232,340 from the same balance was surrendered in accordance with the decision of the Meeting of States Parties held in June 2008 (SPLOS 180). This amount is disclosed as a liability as at 31 December 2008 and will be deducted from 2009 assessments of contributions.

### **III. Nature and scope of the audit**

We examined the bookkeeping and the financial statements of the Tribunal (including the statement of income, expenditures and changes in reserves and fund balances, the statement of assets, liabilities, reserves and fund balances, the statement of cash flows, notes to the financial statements and the financial report of the Registrar).

In addition, we examined certain aspects of operating procedures, including the administration of the KOICA grant and the Nippon Foundation grant, as requested by the Tribunal.

The accounting records, the preparation and presentation of the financial statements, the establishment and maintenance of an adequate internal control system according to the Financial Regulations and Rules of the Tribunal and the information given to us are the responsibility of the Registrar of the Tribunal. Our responsibility is to examine the financial statements and the underlying data and to express an opinion on them in accordance with professional standards.

We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with generally accepted accounting principles are detected with reasonable assurance. An audit includes the examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Registrar of the Tribunal, as well as evaluating the overall presentation of the financial statement.

During the course of our audit, we have applied risk-orientated audit procedures in compliance with International Standards of Auditing.

According to those standards, we developed a risk profile for the financial statements, taking into account our assessment of inherent risks and the internal control environment related to the accounting system. We assessed the internal control structure related to the accounting system to the extent we considered necessary to evaluate the system. Within the scope of our audit planning, we gathered information on the business activity and the economic and legal environment of the Tribunal.

Considering the risk profile and the assessment of the internal control structure we conducted substantive audit procedures. By applying substantive analytical audit procedures and other substantive audit procedures a major focus was put on:

- Cash and term deposits
- Contribution receivables from States Parties
- Accounts receivable — others
- Contributions received in advance
- Surrender of savings from prior years
- Obligations, current period
- Reserves and fund balances
- Assessed contributions
- Interest income
- Major expenditures.

The audit procedures related to substantive audit procedures were conducted on a test basis. The selection of the test sample was made in accordance with auditing standards.

We received balance confirmations from all banks of the Tribunal.

The Registrar provided us with all necessary information and supporting documentation requested. In the general representation letter, dated 11 February 2009, the Registrar assured the completeness of the information given to us as well as the completeness of the bookkeeping and the financial statements.

## **IV. Statements and explanations on the financial reporting**

### **A. Conformity of the financial reporting**

#### **1. Bookkeeping and other audited evidence**

The bookkeeping is made in accordance with the Financial Regulations and Rules of the Tribunal. All information derived from the other audited evidence is reflected in the bookkeeping and the financial statements.

## **2. Financial statements**

The financial statements are contained in appendix I. In our opinion, based on our audit evidence, the financial statements are established in conformity with the Financial Regulations and Rules of the Tribunal.

The statement of assets, liabilities, reserves and fund balances, the statement of income, expenditures and changes in reserves and fund balances and the statement of cash flows were correctly established based on the bookkeeping and the underlying data. The notes to the financial statements include all required disclosures and explanations as well as additional requirements. The financial report is consistent with the financial statements.

## **B. Overall assertions of the financial statements**

The financial statements present a true and fair view of the financial position and the results of operations with respect to the Financial Regulations and Rules of the Tribunal.

Based on our examination, the accounting principles used by the Tribunal were applied on a basis consistent with that of the preceding financial report.

We point out that, consistent with the prior financial periods, expenditures are accounted for on an accrual basis except for those relating to staff entitlements and pension obligations for the judges of the Tribunal, which are accounted for on a cash basis. Therefore, no provisions are made for any future liabilities arising from staff entitlements due to repatriation, accumulated leave, compensatory time and pension to judges in the financial statements of the Tribunal. These liabilities are disclosed as contingent liabilities in the notes to the financial statements.

## **V. Statements on the additional audit scope**

The examination of the operational procedures, including the administration of the KOICA grant and Nippon Foundation grant, did not lead to any reservation. We refer to our audit procedures and explanations in appendix V.

## **VI. Auditor's report**

We have rendered the following unqualified opinion on the financial statements (enclosed in appendix I) of the International Tribunal for the Law of the Sea, Hamburg, for the financial period 1 January 2007 to 31 December 2008, signed on 11 February 2009 in Lübeck:

“To the International Tribunal for the Law of the Sea

We have audited the financial statements (consisting of the statement of income, expenditures and changes in reserves and fund balances, statement of assets, liabilities, reserves and fund balances, notes to the financial statements, statement of cash flows and financial report of the Registrar), together with the accounting system of the International Tribunal for the Law of the Sea, Hamburg, for the period 1 January 2007 to 31 December 2008. The

maintenance of the books and records and the preparation of the financial statements pursuant to the Financial Regulations and Rules of the International Tribunal for the Law of the Sea are the responsibility of the Registrar. Our responsibility is to express an opinion on the financial statements, together with the accounting system, based on our audit.

We conducted our audit of the financial statements in accordance with Section 317 HGB (“Handelsgesetzbuch”: German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with the Financial Regulations and Rules of the International Tribunal for the Law of the Sea are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the International Tribunal for the Law of the Sea and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the books and records and the financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Registrar, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on our audit, the financial statements are in accordance with the Financial Regulations and Rules of the International Tribunal for the Law of the Sea and give a true and fair view of the net assets, financial position and results of operations of the International Tribunal for the Law of the Sea. The accounting principles were applied on a basis consistent with that of the preceding financial period. Transactions were in accordance with the Financial Regulations and Rules of the International Tribunal for the Law of the Sea and legislative authority.”

This report on the audit of the financial period 1 January 2007 to 31 December 2008 of the International Tribunal for the Law of the Sea was issued in accordance with the legal requirements and the standards of orderly reporting on the audit of financial statements.

Lübeck, 11 February 2009

BDO Deutsche Warentreuhand  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

(Signed) (Herbers)  
Wirtschaftsprüfer

(Signed) (Beecker)  
Wirtschaftsprüfer

## Appendix I

### International Tribunal for the Law of the Sea, Hamburg

#### Statement of income and expenditures and changes in reserves and fund balances for the period from 1 January 2007 to 31 December 2008

	<i>Notes</i>	<i>2007-2008 (In euros)</i>	<i>2005-2006 (In euros)</i>
<b>Income</b>			
Assessed contributions	3	17 214 700	15 858 399
Other income			
Savings due to cancellation of prior period obligations		107 160	5 492
Gains and losses on exchange		7 436	(12 926)
Miscellaneous income		9 735	12 558
Interest income		412 671	135 722
<b>Total income</b>		<b>17 751 702</b>	<b>15 999 244</b>
<b>Expenditures</b>			
Total expenditures and obligations	4	(14 738 033)	(13 393 630)
<b>Excess of income over expenditures</b>		<b>3 013 669</b>	<b>2 605 614</b>
<b>Movement in reserves</b>			
Exchange rate effect on Working Capital Fund conversion		0	92 032
Surrender to States Parties in 2005-2006		0	(106 899)
Surrender to States Parties in 2007-2008		(1 858 725)	(312 684)
Exchange rate effect on surrender in 2007		0	1 500
		1 554 944	2 279 563
Fund balances at the beginning of the financial period		3 839 232	1 559 669
<b>Fund balances as at 31 December 2008</b>		<b>4 994 176</b>	<b>3 839 232</b>

## International Tribunal for the Law of the Sea, Hamburg

### Statement of assets, liabilities, reserves and fund balances for the period from 1 January 2007 to 31 December 2008

	<i>Note</i>	<i>2007-2008 (In euros)</i>	<i>2005-2006 (In euros)</i>
<b>Assets</b>	<b>6</b>		
Cash and term deposits		7 362 182	3 915 548
Accounts receivable			
Contributions receivable from States Parties		469 987	1 852 532
Tax reimbursements due		156 511	154 116
Accounts receivable — others		285 279	181 902
<b>Total assets</b>		<b>8 273 959</b>	<b>6 105 098</b>
<b>Liabilities</b>	<b>7</b>		
Contributions received in advance		1 538 717	1 280 226
Surrender of savings from prior years		1 232 340	312 684
Obligations current period		470 133	634 186
Korea fund		0	177
Staff assessment special account		38 593	38 593
<b>Total liabilities</b>		<b>3 279 783</b>	<b>2 265 866</b>
<b>Net assets</b>		<b>4 949 176</b>	<b>3 839 232</b>
<b>Reserves and fund balances</b>	<b>8</b>		
Working Capital Fund		959 132	959 132
Prior period gains reserve		1 021 375	274 486
Excess of income overexpenditures		3 013 669	2 605 614
Total reserves and fund balances		4 994 176	3 839 232
<b>Total, reserves and fund balances</b>		<b>4 994 176</b>	<b>3 839 232</b>

## International Tribunal for the Law of the Sea, Hamburg

### Statement of cash flows for the period from 1 January 2007 to 31 December 2008

	<i>2006-2007</i> <i>(In euros)</i>	<i>2005-2006</i> <i>(In euros)</i>
<b>Cash flows from operating activities:</b>		
Net excess (shortfall) of income overexpenditure	3 013 669	2 605 614
(Increase) decrease in contributions receivable	1 382 545	85 836
(Increase) decrease in tax reimbursements due	(2 395)	(80 637)
(Increase) decrease in other accounts receivable	(103 377)	81 306
Increase (decrease) in contributions received in advance	258 491	77 804
Increase (decrease) in surrender of withholdings from staff assessments	—	(423 957)
Increase (decrease) in obligations current period	(164 053)	36 649
Increase (decrease) in Korea Fund	(177)	—
Increase (decrease) in staff assessment special account	—	(18 349)
Less: interest income	(412 671)	(135 722)
<b>Net cash from operating activities</b>	<b>3 972 032</b>	<b>2 228 544</b>
<b>Cash flows from investing and financing activities:</b>		
Plus: interest income	412 671	135 722
<b>Net cash from operating, investing and financing activities</b>	<b>4 384 703</b>	<b>2 364 266</b>
<b>Cash flows from other sources:</b>		
Increase (decrease) in working capital fund	—	92 032
Increase (decrease) in prior period gains reserve	(1 858 725)	(418 083)
Increase (decrease) in surrender of savings from prior years	919 656	(55 889)
<b>Net increase (decrease) in cash and term deposits</b>	<b>3 445 634</b>	<b>1 982 325</b>
<b>Cash and term deposits at beginning of period</b>	<b>3 916 548</b>	<b>1 934 222</b>
<b>Cash and term deposits at end of period</b>	<b>7 362 182</b>	<b>3 916 548</b>

## **International Tribunal for the Law of the Sea, Hamburg**

### **Notes on the financial statements for the period from 1 January 2007 to 31 December 2008**

#### **Note 1**

##### **Statement of the objectives and activities of the Tribunal**

The International Tribunal for the Law of the Sea (the Tribunal) is an international judicial body established by the United Nations Convention of the Law of the Sea (“the Convention”) to adjudicate disputes arising out of the interpretation or application of the Convention. It began its activities in 1996. The Tribunal is open to States Parties to the Convention and, in certain cases, to entities other than States Parties (such as international organizations and natural or juridical persons).

The jurisdiction of the Tribunal comprises all disputes submitted to it in accordance with the Convention. It also extends to all matters specifically provided for in any other agreement which confers jurisdiction upon the Tribunal. The Tribunal is composed of 21 independent members elected by the States Parties to the Convention. It is assisted by a Registry consisting of 37 staff members.

#### **Note 2**

##### **Summary of significant accounting policies**

On 12 June 2003, the thirteenth Meeting of States Parties adopted the Financial Regulations of the Tribunal and decided that they should become effective on 1 January 2004 and apply to the financial period 2005-2006 and subsequent financial periods (SPLOS/100). Pursuant to financial regulation 10.1 (a), the Tribunal adopted its Financial Rules in 2004. The Meeting of States Parties took note of the Financial Rules at its fourteenth Meeting. The Financial Rules became effective on 1 January 2005.

##### **Financial period**

Pursuant to financial regulation 2, the financial period, which is the subject of this report, is for the two-year period from 1 January 2007 to 31 December 2008.

##### **Currency of accounts**

Pursuant to financial regulation 11.2, the presentation currency is the euro. The accounting records are also maintained in euro.

##### **Foreign currency transactions**

Transactions in currencies other than the euro are translated into the euro using the United Nations operational rates of exchange except for assessed contributions paid in United States dollars. For the conversion of paid contributions from United States dollar into euro, the most favourable rate of exchange available to the Tribunal on the date of the payment is used, in accordance with financial rule 105.2.

The differences in exchange rates between the dates of recording the transactions and when actual transactions are settled are recorded in the statement of income, expenditures and changes in reserves and fund balances as gains or losses on exchange.

Assets and liabilities in currencies other than euro are revalued at the end of the financial period at the prevailing United Nations operational rates of exchange. The revaluation amounts are recorded in the statement of income, expenditures and changes in reserves and fund balances as gains or losses on exchange.

### **Income**

Income consists of assessed contributions from the States Parties. Contributions for the two-year financial period are assessed 50 per cent in year one and 50 per cent in year two. All other income received by the Tribunal is classified as miscellaneous income and is included as general resources (see note 3).

### **Expenditures**

All the expenditures of the Tribunal are recorded against allocated lines of budgetary appropriation. In the financial period 2007-2008, the Tribunal was able to finance the overexpenditure in section 6, "Operating expenditures — Special services (external audit)" by using savings from other budget lines in the same section "Operating expenditures", in accordance with the Financial Regulation 104.3. "The Registrar may redeploy resources among organizational units and objects of expenditure, provided such redeployments are within the total appropriations approved by the meeting of States Parties for an appropriation section" (see note 4).

Expenditures of the Tribunal are accounted for on an accrual basis, except for those relating to staff entitlements, which are accounted for on the basis of cash disbursements. No provision is made for any future liabilities arising from staff entitlements due to repatriation, accumulated annual leave and compensatory time (see note 5).

### **Assets and liabilities**

All funds received are deposited into the Tribunal's bank accounts, including those under special account arrangements, and reflected as cash holdings. Non-expendable equipment (especially computer hardware and software) is not included in the assets, but it is charged against the current appropriations when acquired. A separate listing of non-expendable equipment is maintained for control purposes. Assets are valued at nominal value. Liabilities are valued at the repayment amount.

### **Working Capital Fund**

The eighth Meeting of States Parties, in 1998, authorized the establishment of a working capital fund to ensure continuity of operation in the event of temporary shortfalls in funds and to provide the Tribunal with the necessary financial means to consider cases, in particular those involving urgent proceedings.

For the purposes of the Tribunal, an amount of approximately 8 per cent of its annual budget (4 per cent of its biennial budget) is considered appropriate in line with United Nations practice. The current amount available to the Tribunal is €542,118, which was converted from \$650,000 in November 2005, in accordance with the Financial Regulations of the Tribunal.

The current level of €542,118 represents 3.095 per cent of the approved budget of the Tribunal for 2009-2010. An adequate level in the Working Capital Fund would be €700,604 (4 per cent of the biennial budget). However, to minimize

increases in the 2009-2010 budget, it was not proposed to increase the Working Capital Fund in 2008.

In addition to the \$650,000 referred to above, in 2002, the twelfth Meeting of States Parties approved, on an exceptional basis, the appropriation of \$500,000 (being part of the savings from the financial period 2001) to the Working Capital Fund of the Tribunal, in order to provide the Tribunal with the necessary financial means, in the event of temporary shortfalls in funds, to consider cases where the expenditure could not be met from case-related costs or from the transfer of funds between appropriation sections (SPLOS/L.28). This amount was converted into €17,014 in November 2005, in accordance with the Financial Regulations of the Tribunal.

The Working Capital Fund currently stands at €59,132.

### **Note 3 Income**

The Tribunal's income in the financial period 2007-2008 totalled €17,751,702.

Income includes contributions of 157 States Parties (including the European Community) totalling €17,214,700 and other net income from different sources.

Total income also includes:

- (a) Interest income of €12,671 earned on deposit accounts;
- (b) Savings due to the cancellation of prior period obligations in the amount of €107,160;
- (c) A net gain of €7,436 from gains and losses on exchange resulting from foreign currency translations and revaluations of foreign currency account balances;
- (d) Net miscellaneous income of €9,735, which includes reimbursement of taxes, sale of Tribunal ties, scarves and pins, compensation from insurance for a damaged laptop, prior period adjustments and refunds from electricity suppliers.

### **Note 4 Expenditures**

The budget for the financial period 2007-2008 was approved by the Meeting of States Parties in June 2006 (SPLOS/145). Budget estimates for staff salaries and judges' allowances were based on the United States dollar to euro exchange rate of \$0.844 in March 2006. By the end of the financial period, the exchange rate between the United States dollar and the euro was \$0.772. This represents an increase of 8.53 per cent in the value of the euro against the United States dollar. However, this had no significant impact on the expenditure of the Tribunal, since most of expenditures are made in euro and remuneration of judges and staff members are subject to an adjustment mechanism to avoid depreciation of the United States dollar against the euro.

The expenditures for the financial period 2007-2008 totalled €14,738,033.

## Note 5

### Contingent liability

A net contingent liability for staff benefits at 31 December 2008 amounting to €432,607 consists of the following:

<i>Contingent liability</i>	<i>Amount (in euros)</i>
Accumulated annual leave	236 605
Entitlement due to repatriation	196 002
<b>Total</b>	<b>432 607</b>

All contingent expenditures will be charged against the budget appropriations in the period when actual payments are made. A record of all commitments for future periods which shall constitute the first charges against relevant appropriations once these are approved by the Meeting of States Parties, is maintained in the financial statements. In accordance with the Staff Regulations and Rules of the Tribunal, the contingent liability reflected above is based on net remuneration.

In addition to the above contingent liabilities, there is a liability for pension plan costs for the elected members of the Tribunal. However, these expenditures are charged against the budget appropriations in the period when actual payments are made.

## Note 6

### Accounts receivable

Contributions receivable from States Parties as at 31 December 2008 total €469,987, as detailed below. The amount overdue for more than one financial period totals €237,238. The amount overdue from assessed contributions for the financial period 2007-2008 totals €232,749. As can be seen from the table below, the Tribunal had intensified collection efforts that resulted in a significant decrease of overdue balances compared with the end of the previous financial period.

<i>Year of assessment</i>	<i>31 December 2008 Amount (in euros)</i>	<i>31 December 2006 Amount (in euros)</i>
1996/97	17 260	36 142
1998	7 220	22 728
1999	6 541	25 056
2000	16 800	42 700
2001	23 045	189 912
2002	27 854	237 002
2003	18 906	204 850
2004	18 221	224 573
2005	42 700	344 362
2006	58 691	525 207
2007	71 618	—
2008	161 131	—
<b>Total</b>	<b>469 987</b>	<b>1 852 532</b>

“Tax reimbursements” due represent mainly refunds of value added tax. “Accounts receivable — others” include amounts due mainly from staff, the German authorities (Premises Agreement) and some other smaller amounts.

#### **Note 7**

##### **Liabilities**

The liabilities of the Tribunal at 31 December 2008 include:

(a) Contributions received in advance from States Parties for the budget period 2009-2010 (€1,538,717);

(b) Savings (final cash surplus) amounting to €1,232,340 from the 2005-2006 financial period which were surrendered in 2008 have been deducted from the contributions of the States Parties to the 2009 budget (SPLOS/180);

(c) Obligations arising from goods and services procured in the financial period 2007-2008 (€470,133);

(d) A staff assessment special account maintained for reimbursement of national taxes (€38,593).

#### **Note 8**

##### **Reserves and fund balances**

The Working Capital Fund currently stands at €59,132. This corresponds to the equivalent euro amount envisaged in the decision of the eleventh Meeting of States Parties (SPLOS/70). As reported to the Meeting of States Parties in June 2006, this sum was converted from \$1,150,000 to €59,132 on 8 November 2005.

The prior period gains and reserves represent the excess income overexpenditures from the prior financial period 2005-2006 of €1,021,375. The initial reserve balance as at 1 January 2007 was €2,605,614 (savings from the 2005-2006 budgets). From this balance, an amount of €351,899 corresponding to the supplementary budget was surrendered and deducted from the assessed contributions of the States Parties for 2008, in accordance with the decision of the meeting of States Parties held in June 2007 (SPLOS/161). Following an interim audit to confirm the final cash surplus in February 2008, a further €1,232,340 from the same balance was surrendered in accordance with a decision of the meeting of States Parties held in June 2008 (SPLOS/180). This amount will be deducted from 2009 assessments of contributions.

## **International Tribunal for the Law of the Sea, Hamburg**

### **Financial report of the Registrar for the financial period from 1 January 2007 to 31 December 2008**

#### **Introduction**

1. The Registrar of the International Tribunal for the Law of the Sea submits herewith the financial report for the financial period 1 January 2007 to 31 December 2008, these being the tenth financial period and the tenth financial report.

2. The financial report includes the statement of income, expenditures and changes in reserves and fund balances for the period from 1 January 2007 to 31 December 2008 (appendix I); the statement of assets, liabilities, reserves and fund balances as of 31 December 2008 (appendix I); the statement of cash flows for the biennium 2007-2008 (appendix I); the expenditure report on the period 2007-2008 (appendix II); and the status of contributions for the period 1996-2008 to the International Tribunal for the Law of the Sea (appendix III). Appendices I, II and III are provided in order to facilitate the review of the report by States Parties. The statements are in compliance with the Tribunal's Financial Regulations and Rules and are in line with formats agreed for the harmonization of the accounts of agencies and organizations in the United Nations Common System. The financial report provides the financial results of the Tribunal's activities in 2007 and 2008. Elements of particular importance are summarized in the following paragraphs.

3. The cash balance of €7,362,182 as at 31 December 2008 represents an increase compared with the 2006 year-end cash balance, which stood at €3,916,548. This result was due mainly to an increase in the collection of contributions from States Parties and the savings from the financial period.

### **Income**

4. Income in the financial period 2007-2008 included assessed contributions amounting to €17,214,700 from 157 States Parties (including the European Community). Of the total amount of contributions for the financial period 2007-2008, €32,749 was outstanding as at 31 December 2008. The balance of unpaid contributions with respect to the overall budget of the Tribunal (1996/97 to 2007-2008) amounted to €469,987 on that date. In addition, other net income from various sources, such as interest income and the cancellation of prior period obligations after adjustments for exchange rate differences and miscellaneous losses, totalled €537,002.

Of the total income from contributions of States Parties for the financial period 2007-2008, the amount of €32,749 was outstanding at the end of this period. With regard to the previous budgets of the Tribunal, amounts of €17,260 for 1996/97, €7,220 for 1998, €6,541 for 1999, €16,800 for 2000, €23,045 for 2001, €27,854 for 2002, €18,906 for 2003, €18,221 for 2004, €42,700 for 2005 and €58,691 for 2006 were still outstanding. The balance of unpaid contributions with respect to the overall budgets of the Tribunal (1996/97 to 2007-2008) therefore amounts to €469,987. No provision for doubtful accounts receivable for the overdue balances is envisaged under the Tribunal's Financial Regulations and Rules.

### **Expenditures**

5. The expenditures of the Tribunal for the financial period 2007-2008 totalled €14,738,033. The underperformance of the budget for the period (€17,214,700) can largely be attributed to optimum use of resources and the fact that two cases, namely Case No. 14 ("Hoshinmaru") and Case No. 15 ("Tomimaru"), were submitted simultaneously in July 2007 and were dealt with within a period of one month, in accordance with the relevant provisions of the Rules of the Tribunal (instead of two months, had the cases been filed separately). Furthermore, in 2008, no new case was submitted to the Tribunal, which resulted in additional savings under "Case-related costs".

6. Under “Staff costs”, savings amounting to €295,165 were made largely owing to vacant positions in the Registry during the period in question. Furthermore, savings amounting to €32,696 were also realized under the budget line judges’ costs. The reason is that five judges were re-elected in June 2008, while provisions were made in the budget approved in 2006 for additional pension payments with respect to the seven judges whose terms of office came to an end on 30 September 2008. It should further be pointed out that an amount of €50,568 was saved under the budget line “Judges’ annual allowances” owing to the resignation of one judge and the death of another during the period in question.

7. It may be noted that, if the case-related costs are excluded, the performance rate for other costs would be 95.77 per cent.

### **Special accounts**

8. In accordance with the decision of the Meeting of States Parties (SPLOS/98), the staff assessment accumulated in the special account as at 31 December 2003 was surrendered and deducted from the contributions of the States Parties to the 2005 budget. The amount of €38,593 was set aside to reimburse members and officials of the Tribunal for national taxes charged in respect of remuneration paid by the Tribunal in 2004 and subsequent years.

9. In accordance with the decision of the Meeting of States Parties (SPLOS/180), an amount of €1,232,340 from the 2005-2006 cash surplus was surrendered in 2008 and will be deducted from the assessed contributions of the States Parties for 2009 in accordance with regulation 4 of the Financial Regulations of the Tribunal.

10. Following the signing of a memorandum of understanding between the Tribunal and the Korea International Cooperation Agency (KOICA) on 9 March 2004, a trust fund, known as the KOICA grant, was set up to support the Tribunal’s internship programme and provide financial assistance for interns from developing countries. The grant was initially funded in the sum of \$150,000. The Tribunal received a further contribution amounting to \$100,000 from KOICA in March 2006. The total sum of the grant has been converted into €205,000. In February 2007, an amount of €13,645 was received, and in March 2008, an additional amount of \$200,000 was further received, which was converted into €128,400. As at 31 December 2008, the balance stood at €70,686. The audited financial statement for the trust fund will be circulated at the Meeting of States Parties in June 2009.

11. As reported by the President to the eighteenth Meeting of States Parties (SPLOS/184), workshops were held in Libreville, Kingston, Singapore, Bahrain and Buenos Aires in 2007 and 2008, which were organized by the Tribunal in cooperation with the International Foundation for the Law of the Sea, and with the support of the Korea International Cooperation Agency. During the period 2007-2008, the sum of €334,141 was withdrawn from the KOICA grant to provide funding for the workshops and the internship programme.

12. The Nippon Foundation grant was established in March 2007 following the signature of the Nippon Foundation Grant Agreement. Pursuant to the Agreement between the Tribunal and the Nippon Foundation, the Nippon Foundation contributed an amount of €200,000 to the Nippon Foundation International Tribunal for the Law of the Sea capacity-building and training programme on dispute settlement under the United Nations Convention on the Law of the Sea. The purpose

of the grant is to finance the expenses of participants from developing countries in the aforementioned programme.

13. In accordance with regulation 6.5 of the Financial Regulations of the Tribunal, a trust fund was subsequently established and a special euro bank account named “Nippon Foundation Grant” was set up with Deutsche Bank. A further amount of €200,000 was paid to the Tribunal in March 2008. During the period 2007-2008, the sum of €59,714 was withdrawn from the Nippon Foundation grant to provide funding for the programme’s activities. As at 31 December 2008, the cash and term deposits stood at €123,170. The excess of income over expenditure equals €140,123. The audited financial statement for the trust fund will be circulated at the Meeting of States Parties in June 2009.

14. From July 2007 to December 2008 participants from Bangladesh, Cameroon, Mauritania, Nigeria, Peru, Kenya, Gabon, Philippines, China and Romania had taken part in the programme.

#### **Institutional arrangements**

15. The financial records of the Tribunal were maintained in the network version of the Sun computerized accounting system.

(Signed) Philippe **Gautier**  
Registrar

## Appendix II

### International Tribunal for the Law of the Sea, Hamburg

#### Expenditure report for the period from 1 January 2007 to 31 December 2008

(In euros)

<i>Part Section</i>	<i>Objects of expenditure</i>	<i>2007-2008 approved budget</i>	<i>2007-2008 total expenditure (as at 31/12/2008)</i>	<i>Balance</i>	<i>Total expenditure/ approved budget (percentage)</i>
1	<b>A Recurrent expenditure</b>				1
2	<b>1 Judges</b>	<b>4 385 900</b>	<b>4 153 204</b>	<b>232 696</b>	2
3	Annual allowances	2 720 000	2 669 432	50 568	98.14 3
4	Special allowances	719 600	707 096	12 504	98.26 4
5	Travel to session	256 500	213 411	43 089	83.20 5
6	Judges' pension scheme	587 500	473 009	114 491	80.51 6
7	Common costs	102 300	90 256	12 044	88.23 7
8					8
9	<b>2 Staff costs</b>	<b>6 985 800</b>	<b>6 690 635</b>	<b>295 165</b>	9
10	Established posts	4 524 200	4 440 739	83 461	98.16 10
11	Common staff costs	1 991 900	1 809 161	182 739	90.83 11
12	Reimbursement of national taxes	30 000	25 563	4 437	85.21 12
13	Overtime	39 000	32 986	6 014	84.58 13
14	Temporary assistance for meetings	210 500	192 562	17 938	91.48 14
15	General temporary assistance	121 100	120 584	516	99.57 15
16	Training	69 100	69 040	60	99.91 16
17	<b>3 Representation allowance</b>	<b>12 800</b>	<b>10 798</b>	<b>2 002</b>	84.36 17
18	<b>4 Official travel</b>	<b>177 600</b>	<b>177 598</b>	<b>2</b>	100.0 18
19	<b>5 Hospitality</b>	<b>13 500</b>	<b>12 860</b>	<b>640</b>	95.26 19
20	<b>6 Operating expenditures</b>	<b>2 654 100</b>	<b>2 559 891</b>	<b>94 209</b>	20
21	Maintenance of premises (including security)	1 953 000	1 919 030	33 970	98.26 21
22	Rental and maintenance of equipment	346 600	310 966	35 634	89.72 22
23	Communications	189 000	175 214	13 786	92.71 23
24	Miscellaneous services and charges (including bank charges)	39 300	27 787	11 513	70.70 24
25	Supplies and materials	118 700	118 694	6	99.99 25
26	Special services (external audit)	7 500	8 200	-700	109.33 26
27	<b>7 Library and related costs</b>	<b>317 000</b>	<b>315 941</b>	<b>1 059</b>	27
28	Library, procurement of books and publications	227 400	227 376	24	99.99 28
29	External printing and binding	89 600	88 565	1 035	98.84 29
30					30
31	<b>B Non-recurrent expenditure</b>				31

<i>Part Section</i>	<i>Objects of expenditure</i>	<i>2007-2008 approved budget</i>	<i>2007-2008 total expenditure (as at 31/12/2008)</i>	<i>Balance</i>	<i>Total expenditure/ approved budget (percentage)</i>
32	8 Furniture and equipment				32
33	Purchase of equipment	<b>150 000</b>	<b>149 187</b>	<b>813</b>	99.46 33
34	9 Alteration to premises	112 000	112 000	0	100.0 34
35					35
36	<b>C Case-related costs</b>	<b>2 406 000</b>	<b>555 919</b>		36
37	<b>10 Judges</b>	<b>1 851 700</b>	<b>387 044</b>	<b>1 464 656</b>	20.90 37
38	Special allowances	1 488 500	319 355	1 169 145	21.45 38
39	Compensation to judges ad hoc	92 100	5 199	86 901	5.64 39
40	Travel to meetings, including judges ad hoc	271 100	62 490	208 610	23.05 40
41	<b>11 Staff costs</b>	<b>554 300</b>	<b>168 875</b>	<b>385 425</b>	30.47 41
42	Temporary assistance for meetings	509 300	147 316	316 984	28.93 42
43	Overtime	45 000	21 559	23 441	47.91 43
44	<b>12 Miscellaneous</b>	<b>0</b>	<b>0</b>	<b>0</b>	44
45					45
46	<b>D Working Capital Fund</b>	<b>0</b>	<b>0</b>	<b>0</b>	46
47					47
48	<b>C Total</b>	<b>17 214 700</b>	<b>14 738 033</b>	<b>2 476 667</b>	<b>85.61 48</b>

## Appendix III

### Status of 1996-2008 contributions to the International Tribunal for the Law of the Sea

(In euros)

31 December 2008

States Parties	Contributions assessed						Contributions outstanding			
	2006 scale of assessments (percentage)	Previous financial periods (1996-2004)	Last financial period 2005-2006	Current financial period <sup>a</sup> 2007-2008	Total	Collections	Previous financial periods (1996-2004)	Last financial period (2005-2006)	Current financial period <sup>b</sup> (2007-2008)	Total outstanding
Albania	0.0100	860	1 486	1 706	4 052	4 798	0	0	(746)	(746)
Algeria	0.1134	55 300	15 951	18 793	90 044	98 584	0	0	(8 540)	(8 540)
Angola	0.0100	5 263	1 481	1 706	8 450	8 443	0	0	7	7
Antigua and Barbuda	0.0100	3 607	1 481	1 706	6 794	5 881	0	0	913	913
Argentina	0.4337	568 999	198 305	151 684	918 988	918 991	0	0	(3)	(3)
Armenia	0.0100	1 120	1 481	1 706	4 307	4 363	0	0	(56)	(56)
Australia	2.3846	902 503	332 242	394 411	1 629 156	1 808 765	0	0	(179 609)	(179 609)
Austria	1.1836	548 982	178 428	204 023	931 433	1 019 415	0	0	(87 982)	(87 982)
Bahamas	0.0214	8 560	2 730	3 381	14 671	14 667	0	0	2	2
Bahrain	0.0440	10 504	6 417	7 356	24 277	20 517	0	0	3 761	3 761
Bangladesh	0.0133	2 568	2 091	2 338	6 997	7 242	0	0	(245)	(245)
Barbados	0.0120	5 065	2 102	2 225	9 392	8 369	0	0	1 022	1 022
Belarus	0.0267	0	995	4 436	5 431	22	0	973	4 436	5 409
Belgium	1.4705	514 895	222 648	253 691	991 234	991 246	0	0	(12)	(12)
Belize	0.0100	3 472	1 481	1 706	6 659	7 405	0	0	(746)	(746)
Benin	0.0100	2 964	1 481	1 706	6 151	4 536	0	0	1 616	1 616
Bolivia (Estado Plurinacional de)	0.0100	4 613	1 893	1 933	8 439	1 988	2 625	1 893	1 933	6 451
Bosnia and Herzegovina	0.0100	4 083	1 481	1 706	7 270	8 016	0	0	(746)	(746)
Botswana	0.0187	5 876	2 533	3 034	11 443	9 700	0	0	1 742	1 742
Brazil	1.1690	1 045 350	309 908	282 428	1 637 686	1 650 434	0	0	(12 748)	(12 748)
Brunei Darussalam	0.0347	14 346	7 119	7 039	28 504	30 931	0	0	(2 427)	(2 427)
Bulgaria	0.0267	15 020	3 602	4 316	22 938	22 938	0	0	0	0
Burkina Faso	0.0100	0	1 571	1 706	3 277	35	0	1 536	1 706	3 242

States Parties	2006 scale of assessments (percentage)	Contributions assessed					Contributions outstanding				
		Previous financial periods (1996-2004)	Last financial period 2005-2006	Current financial period <sup>a</sup> 2007-2008	Total	Collections	Previous financial periods (1996-2004)	Last financial period (2005-2006)	Current financial period <sup>b</sup> (2007-2008)	Total outstanding	
Cameroon	0.0120	6 605	1 660	1 985	10 250	7 452	0	812	1 985	2 797	
Canada	3.9632	255 585	593 838	675 556	1 524 979	1 525 012	0	0	(33)	(33)	
Cape Verde	0.0100	3 541	1 481	1 706	6 728	5 969	0	0	759	759	
Chile	0.2148	83 271	46 924	45 080	175 275	175 276	0	0	(1)	(1)	
China	3.5589	674 690	435 371	549 891	1 659 952	1 933 599	0	0	(273 647)	(273 647)	
Comoros	0.0100	3 472	1 481	1 706	6 659	94	3 378	1 481	1 706	6 565	
Congo	0.0100	0	0	426	426	0	0	0	426	426	
Cook Islands <sup>c</sup>	0.0100	3 472	1 481	1 706	6 659	3 561	0	1 392	1 706	3 098	
Costa Rica	0.0427	9 860	6 392	7 242	23 494	22 801	0	0	693	693	
Côte d'Ivoire	0.0120	5 552	2 102	2 225	9 879	121	5 430	2 102	2 225	9 757	
Croatia	0.0667	26 280	7 709	10 131	44 120	49 275	0	0	(5 155)	(5 155)	
Cuba	0.0721	18 557	9 146	11 306	39 009	39 009	0	0	(1)	(1)	
Cyprus	0.0587	20 532	8 164	9 688	38 384	33 712	0	0	4 672	4 672	
Czech Republic	0.3750	96 686	38 229	53 942	188 857	218 261	0	0	(29 404)	(29 404)	
Democratic Republic of the Congo	0.0100	4 431	1 481	1 706	7 618	94	4 337	1 481	1 706	7 524	
Denmark	0.9861	15 233	158 820	170 260	344 313	344 321	0	0	(8)	(8)	
Djibouti	0.0100	3 472	1 481	1 706	6 659	4 277	0	676	1 706	2 382	
Dominica	0.0100	34 72	1 481	1 706	6 659	2 189	1 283	1 481	1706	4470	
Egypt	0.1174	42 791	25 557	24 414	92 762	18 398	24 392	25 557	24 414	74 363	
Equatorial Guinea	0.0100	2 942	1 481	1 706	6 129	94	2848	1481	1 706	6 035	
Estonia	0.0214	0	1 991	3 261	5 252	5 252	0	0	(1)	(1)	
European Community <sup>d</sup>	n.a.	346 960	144 584	156 000	647 544	647 544	0	0	0	0	
Fiji	0.0100	3 880	1 481	1 706	7 067	7 064	0	0	3	3	
Finland	0.7526	320 235	111 514	128 145	559 894	559 900	0	0	(6)	(6)	
France	8.4082	3 819 084	1 254 727	1 440 674	6 514 485	6 514 554	0	0	(69)	(69)	
Gabon	0.0107	7 655	1 821	1 991	11 467	4 879	2 775	1 821	1 991	6 587	
Gambia	0.0100	3 472	1 481	1 706	6 659	458	3 014	1 481	1 706	6 201	
Georgia	0.0100	16 375	1 481	1 706	19 562	19 562	0	0	0	0	

States Parties	2006 scale of assessments (percentage)	Contributions assessed					Contributions outstanding			
		Previous financial periods (1996-2004)	Last financial period 2005-2006	Current financial period <sup>a</sup> 2007-2008	Total	Collections	Previous financial periods (1996-2004)	Last financial period (2005-2006)	Current financial period <sup>b</sup> (2007-2008)	Total outstanding
Germany	11.4454	5 699 263	1 796 513	2 015 513	9 511 289	9 511 384	0	0	(95)	(95)
Ghana	0.0100	4 367	1 481	1 706	7 554	6 777	0	0	777	777
Greece	0.7953	250 588	110 642	131 428	492 658	492 665	0	0	(7)	(7)
Grenada	0.0100	3 472	1 481	1 706	6 659	6 659	0	0	0	0
Guatemala	0.0427	12 194	6 307	7 242	25 743	25 735	0	0	9	9
Guinea	0.0100	3 745	1 481	1 706	6 932	94	3 651	1 481	1 706	6 838
Guinea-Bissau	0.0100	3 472	1 481	1 706	6 659	94	3 378	1 481	1 706	6 565
Guyana	0.0100	3 472	1 481	1 706	6 659	5 508	0	0	1 151	1 151
Haiti	0.0100	3 607	1 481	1 706	6 794	5 125	0	0	1 669	1 669
Honduras	0.0100	3 812	1 481	1 706	6 999	8 295	0	0	(1 296)	(1 296)
Hungary	0.3256	26 084	26 403	42 892	95 379	95 381	0	0	(3)	(3)
Iceland	0.0494	18 858	7 119	8 291	34 268	34 268	0	0	(0)	(0)
India	0.6005	186 249	88 950	101 731	376 930	363 028	0	0	13 903	13 903
Indonesia	0.2148	108 211	28 968	35 363	172 542	188 746	0	0	(16 204)	(16 204)
Iraq	0.0200	51 017	2 126	3 627	56 770	56 843	0	0	(73)	(73)
Ireland	0.5938	145 902	73 817	92 645	312 364	357 895	0	0	(45 531)	(45 531)
Italy	6.7776	3 098 500	1 018 597	1 164 205	5 281 302	5 281 358	0	0	(56)	(56)
Jamaica	0.0133	4 154	1 680	2 098	7 932	8 476	0	0	(544)	(544)
Japan	22.0000	10 178 256	3 236 096	3 752 914	17 167 266	17 167 266	0	0	(0)	(0)
Jordan	0.0160	4 467	2 335	2 686	9 488	9 575	0	0	(87)	(87)
Kenya	0.0133	4 546	1 893	2 218	8 657	10 837	0	0	(2 180)	(2 180)
Kiribati	0.0100	1 120	1 481	1 706	4 307	3 507	0	0	800	800
Kuwait	0.2429	86 274	34 037	40 152	160 463	178 761	0	0	(18 297)	(18 297)
Lao People's Democratic Republic	0.0100	2 700	1 481	1 706	5 887	6 633	0	0	(746)	(746)
Latvia	0.0240	0	3 317	3 848	7 165	8 992	0	0	(1 827)	(1 827)
Lebanon	0.0454	8 062	5 163	6 749	19 974	8 385	0	4 840	6 749	11 589
Lesotho	0.0100	0	0	1 493	1 493	0	0	0	1 493	1 493
Liberia	0.0100	0	0	213	213	0	0	0	213	213

States Parties	Contributions assessed					Contributions outstanding				
	2006 scale of assessments (percentage)	Previous financial periods (1996-2004)	Last financial period 2005-2006	Current financial period <sup>a</sup> 2007-2008	Total	Collections	Previous financial periods (1996-2004)	Last financial period (2005-2006)	Current financial period <sup>b</sup> (2007-2008)	Total outstanding
Lithuania	0.0414	1 696	5 121	6 408	13 225	16 073	0	0	(2 848)	(2 848)
Luxembourg	0.1134	23 766	16 058	18 913	58 737	8 829	14 937	16 058	18 913	49 908
Madagascar	0.0100	1 813	1 481	1 706	5 000	5 210	0	0	(210)	(210)
Malaysia	0.2535	113 004	42 027	45 982	201 013	180 437	0	0	20 576	20 576
Maldives	0.0100	2 170	1 481	1 706	5 357	6 103	0	0	(746)	(746)
Mali	0.0100	3 671	1 481	1 706	6 858	6 099	0	0	759	759
Malta	0.0227	8 134	2 914	3 615	14 663	14 663	0	0	0	0
Marshall Islands	0.0100	3 472	1 481	1 706	6 659	6 907	0	0	(248)	(248)
Mauritania	0.0100	3 472	1 481	1 706	6 659	4 807	0	146	1 706	1 852
Mauritius	0.0147	5 787	2 299	2 572	10 658	11 743	0	0	(1 085)	(1 085)
Mexico	3.0118	584 816	403 227	482 824	1 470 867	1 440 027	0	0	30 839	30 839
Micronesia (Federated States of)	0.0100	3 472	1 481	1 706	6 659	4 398	0	555	1 706	2 261
Moldova	0.0100	0	0	1 706	1 706	1 706	0	0	0	0
Monaco	0.0100	3 814	1 481	1 706	7 001	7 001	0	0	(0)	(0)
Mongolia	0.0100	3 607	1 481	1 706	6 794	6 794	0	0	0	0
Montenegro	0.0100	0	196	1 706	1 902	1 899	0	0	4	4
Morocco	0.0560	0	0	9 009	9 009	9 010	0	0	(1)	(1)
Mozambique	0.0100	3 274	1 481	1 706	6 461	5 608	0	0	853	853
Myanmar	0.0100	5 346	2 091	2 053	9 490	7 080	0	357	2 053	2 410
Namibia	0.0100	4 367	1 481	1 706	7 554	6 764	0	0	790	790
Nauru	0.0100	3 472	1 481	1 706	6 659	479	2 993	1 481	1 706	6 180
Nepal	0.0100	2 921	1 481	1 706	6 108	5 255	0	0	853	853
Netherlands	2.4994	978 754	352 567	415 956	1 747 277	1 747 298	0	0	(21)	(21)
New Zealand	0.3416	135 766	45 936	55 654	237 356	237 355	0	0	1	1
Nicaragua	0.0100	2 440	1 481	1 706	5 627	4 646	0	0	981	981
Nigeria	0.0641	34 462	8 548	10 503	53 513	53 513	0	0	(1)	(1)
Niue <sup>c</sup>	0.0100	0	196	1 706	1 902	4	0	192	1 706	1 898
Norway	1.0435	362 584	142 284	170 476	675 344	675 353	0	0	(9)	(9)
Oman	0.0974	31 341	14 734	16 708	62 783	62 783	0	0	(1)	(1)

States Parties	2006 scale of assessments (percentage)	Contributions assessed				Contributions outstanding				
		Previous financial periods (1996-2004)	Last financial period 2005-2006	Current financial period <sup>a</sup> 2007-2008	Total	Collections	Previous financial periods (1996-2004)	Last financial period (2005-2006)	Current financial period <sup>b</sup> (2007-2008)	Total outstanding
Pakistan	0.0787	33 462	11 423	13 314	58 199	39 527	0	5 358	13 314	18 672
Palau	0.0100	3 365	1 481	1 706	6 552	3 414	0	1 432	1 706	3 138
Panama	0.0307	8 678	3 984	4 897	17 559	15 561	0	0	1 998	1 998
Papua New Guinea	0.0100	4 094	1 481	1 706	7 281	2 180	1 914	1 481	1 706	5 101
Paraguay	0.0100	8 350	2 460	2 293	13 103	1 892	6 458	2 460	2 293	11 211
Philippines	0.1041	49 883	19 789	20 276	89 948	90 660	0	0	(713)	(713)
Poland	0.6685	125 439	97 793	112 336	335 568	385 658	0	0	(50 090)	(50 090)
Portugal	0.7032	225 577	98 309	116 376	440 262	444 379	0	0	(4 118)	(4 118)
Qatar	0.1134	5 275	13 743	17 354	36 372	36 373	0	0	(1)	(1)
Republic of Korea	2.8997	748 675	374 624	462 824	1 586 123	1 586 147	0	0	(24)	(24)
Romania	0.0934	40 340	12 558	15 167	68 065	75 142	0	0	(7 077)	(7 077)
Russian Federation	1.6013	935 684	228 705	268 566	1 432 955	1 432 968	0	0	(13)	(13)
Saint Kitts and Nevis	0.0100	3 472	1 481	1 706	6 659	7 387	0	0	(728)	(728)
Saint Lucia	0.0100	3 472	1 481	1 706	6 659	5 870	0	0	789	789
Saint Vincent and the Grenadines	0.0100	3 472	1 481	1 706	6 659	6 640	0	0	19	19
Samoa	0.0100	3 472	1 481	1 706	6 659	6 298	0	0	361	361
Sao Tome and Principe	0.0100	3 472	1 481	1 706	6 659	94	3 378	1 481	1 706	6 565
Saudi Arabia	0.9982	342 995	150 932	170 685	664 612	739 001	0	0	(74 389)	(74 389)
Senegal	0.0100	4 154	1 481	1 706	7 341	4 694	0	941	1 706	2 647
Serbia	0.0280	22 463	3 959	4 670	31 092	257	22 206	3 959	4 670	30 835
Seychelles	0.0100	3 607	1 481	1 706	6 794	94	3 513	1 481	1 706	6 700
Sierra Leone	0.0100	3 472	1 481	1 706	6 659	548	2 924	1 481	1 706	6 111
Singapore	0.4630	147 775	81 018	86 048	314 841	348 367	0	0	(33 526)	(33 526)
Slovakia	0.0841	27 253	10 757	13 290	51 300	57 720	0	0	(6 420)	(6 420)
Slovenia	0.1281	40 767	17 152	20 765	78 684	79 408	0	0	(723)	(723)
Solomon Islands	0.0100	3 077	1 481	1 706	6 264	94	2 983	1 481	1 706	6 170
Somalia	0.0100	3 472	1 481	1 706	6 659	94	3 378	1 481	1 706	6 565
South Africa	0.3870	200 298	59 600	68 043	327 941	327 944	0	0	(3)	(3)

States Parties	2006 scale of assessments (percentage)	Contributions assessed					Contributions outstanding			
		Previous financial periods (1996-2004)	Last financial period 2005-2006	Current financial period <sup>a</sup> 2007-2008	Total	Collections	Previous financial periods (1996-2004)	Last financial period (2005-2006)	Current financial period <sup>b</sup> (2007-2008)	Total outstanding
Spain	3.9606	1 426 188	526 603	640 178	2 592 969	2 593 003	0	0	(33)	(33)
Sri Lanka	0.0214	7 822	3 566	3 860	15 248	16 810	0	0	(1 562)	(1 562)
Sudan	0.0133	4 503	1 681	2 098	8 282	1 060	3 443	1 681	2 098	7 222
Suriname	0.0100	2 999	1 481	1 706	6 186	4 574	0	0	1 612	1 612
Sweden	1.4292	636 478	208 193	241 644	1 086 315	1 086 326	0	0	(11)	(11)
The former Yugoslav Republic of Macedonia	0.0100	3 946	1 481	1 706	7 133	7 133	0	0	0	0
Togo	0.0100	3 539	1 481	1 706	6 726	944	2 595	1 481	1 706	5 782
Tonga	0.0100	3 472	1 481	1 706	6 659	5 869	0	0	790	790
Trinidad and Tobago	0.0360	10 730	4 672	5 713	21 115	21 115	0	0	0	0
Tunisia	0.0414	17 169	6 706	7 368	31 243	31 243	0	0	(0)	(0)
Tuvalu	0.0100	1 120	1 481	1 706	4 307	5 172	0	0	(865)	(865)
Uganda	0.0100	3 880	1 481	1 706	7 067	6 797	0	0	270	270
Ukraine	0.0600	52 216	7 982	9 802	70 000	70 000	0	0	0	0
United Kingdom of Great Britain and Northern Ireland	8.8633	2 826 759	1 287 560	1 491 128	5 605 447	6 269 515	0	0	(664 068)	(664 068)
United Republic of Tanzania	0.0100	3 812	1 481	1 706	6 999	7 051	0	0	(52)	(52)
Uruguay	0.0360	34 327	9 636	8 832	52 795	49 364	0	0	3 431	3 431
Vanuatu	0.0100	2 613	1 481	1 706	5 800	683	1 930	1 481	1 706	5 117
Viet Nam	0.0320	6 194	4 471	5 251	15 916	15 916	0	0	0	0
Yemen	0.0100	5 264	1 481	1 706	8 451	7 752	0	0	699	699
Zambia	0.0100	3 671	1 481	1 706	6 858	94	3 577	1 481	1 706	6 764
Zimbabwe	0.0107	5 139	1 473	1 764	8 376	2 632	2 507	1 473	1 764	5 744
<b>Total</b>	<b>100.00</b>	<b>39 829 224</b>	<b>14 958 940</b>	<b>17 214 705</b>	<b>72 002 875</b>	<b>73 071 609</b>	<b>135 848</b>	<b>101 391</b>	<b>232 742</b>	<b>469 981</b>

<sup>a</sup> Total subject to rounding differences.

<sup>b</sup> Figures in brackets indicate credits being carried forward towards 2009 (€1,538,717).

<sup>c</sup> Not a member of the United Nations, assessed with the floor rate.

<sup>d</sup> Agreed contributions in accordance with the Financial Regulations of the Tribunal; for the period 2007-2008, see SPLOS/145.

## Appendix IV

### Performance reports

#### Performance report on the grant given to the Tribunal by the Korea International Cooperation Agency (KOICA)

(In euros)

	2007-2008
<b>Income</b>	
Grants from KOICA	342 045
Interest income	449
Gains and losses on exchange	668
<b>Net income</b>	<b>343 162</b>
<b>Expenditures</b>	
Internship programme	66 774
International Foundation for the Law of the Sea summer academy	52 628
Workshops	
Dakar	138
Libreville	15 290
Kingston	51 270
Singapore	53 465
Bahrain	28 272
Buenos Aires	59 139
General administrative expenses	7 065
Prior period adjustment	100
<b>Total expenditures</b>	<b>334 141</b>
<b>Excess of income over expenditure</b>	<b>9 021</b>
<b>Assets</b>	
Cash and term deposits	70 686
<b>Total assets</b>	<b>70 686</b>
<b>Reserves</b>	
Excess of income overexpenditure current period	9 021
Prior period reserve	61 665
<b>Total reserves</b>	<b>70 686</b>

## Performance report on the grant given to the Tribunal by the Nippon Foundation

(In euros)

	<i>2007-2008</i>
<b>Income</b>	
Grants from the Nippon Foundation	400 000
Interest income	591
Gains and losses on exchange	-754
<b>Net income</b>	<b>399 837</b>
<b>Expenditures</b>	
Participants	168 596
Lecturers	53 751
General administrative expenses	35 662
Obligations	1 705
<b>Total expenditures</b>	<b>259 714</b>
<b>Excess of income overexpenditure</b>	<b>140 123</b>
<b>Assets</b>	
Cash and term deposits	123 170
Accounts receivables	18 658
<b>Total assets</b>	<b>141 828</b>
Obligations current period	-1 705
<b>Net assets</b>	<b>140 123</b>
<b>Reserves</b>	
Excess of income overexpenditure	140 123
<b>Total reserves</b>	<b>140 123</b>

## Appendix V

### International Tribunal for the Law of the Sea, Hamburg

#### Audit procedures and results of additional audit scope for the financial period 1 January 2007 to 31 December 2008

According to the assignment, we have audited the following aspects of operating procedures in addition to our audit of the financial statements for the financial period from 1 January 2007 to 31 December 2008:

(a) Whether the expenses incurred are in accordance with the appropriations approved by the Meeting of States Parties;

(b) Whether expenditures incurred have been appropriately authorized by the party designated for that purpose in the Financial Regulations and Rules of the Tribunal;

(c) Whether staff and persons being paid by the Tribunal have been recruited or engaged in the manner provided in the Staff Regulations and Rules of the Tribunal;

(d) Whether goods and services have been procured in accordance with the procedures provided for in the Financial Regulations and Rules of the Tribunal;

(e) Whether goods and services that have been procured are necessary or not excessive, having regard to circumstances and the functions of the Tribunal;

(f) Whether the grant given to the Tribunal by the Korea International Cooperation Agency of the Republic of Korea (KOICA), maintained in a separate trustee account, is administered in accordance with the memorandum of understanding dated 9 March 2004;

(g) Whether the grant given to the Tribunal by the Nippon Foundation, maintained in a separate trustee account, is administered in accordance with the Nippon Foundation Grant Agreement dated 30 March 2008.

As part of our audit of the financial statements, the following additional procedures have been performed by us.

#### 1. Approval of expenses

As instructed, we have audited whether the expenses incurred during the financial period 2007-2008 are in accordance with the appropriations approved by the Meeting of States Parties.

From the approved budget for the financial period 2007-2008 amounting to €17,214,700, a total amount of €14,738,033 was spent against approved budget lines, resulting in savings of €2,476,667 (appendix II). Although the overall budget was underspent, overexpenditure incurred in the budget line “Operating expenditures — Special services (external audit)” (€700). This overexpenditure was due to an interim audit to confirm the final cash surplus. The Tribunal was able to finance the overexpenditures by using savings from other budget lines in the same section, in accordance with Financial Regulation 104.3 of the Tribunal.

**2. Authorization of expenditures**

We have audited the procedures for the authorization of expenditures as outlined in the Financial Regulations and Rules of the Tribunal, and tested on a sample basis if these procedures have been strictly followed by the Tribunal in all material respects.

As a result of the work done, no significant matter came to our attention. In our opinion, the procedures for the authorization of expenditures were carried out in accordance with the Financial Regulations and Rules of the Tribunal.

**3. Procedures for recruiting/engaging staff**

In the period 2007-2008 the Tribunal recruited five new staff members. We have audited if the procedures for recruiting and engaging of these five staff members were in line with the Staff Rules of the Tribunal.

As a result of the work done, no discrepancies came to our attention. The Tribunal has carried out the procedures for recruiting and engaging staff in accordance with the Staff Rules of the Tribunal.

**4. Procedures for procurement of goods and services**

We have audited if the procedures followed by the Tribunal in the order process were in line with the Financial Regulations and Rules of the Tribunal (i.e., include request of bids or tenders, fair analysis of tenders, written contracts, etc.) and tested on a sample basis that these procedures have been followed in all material respects by the Tribunal.

As a result of the work done, no matters came to our attention. In our opinion, the procedures for procurement of goods and services were carried out in accordance with the Financial Regulations and Rules of the Tribunal.

**5. Examination whether goods and services procured are necessary or not excessive, having regard to circumstances and the functions of the Tribunal**

We have audited if (a) the expenditures reported for the fiscal year have been properly included in the Statement of income and expenditures and have been charged to the appropriate budget line and (b) the goods and services procured were necessary or not excessive with regard to circumstances and the functions of the Tribunal.

The overexpenditures in the financial period could be reasonably explained and were compensated by savings under other budget lines. The equipment acquired during the financial period 2007-2008 is duly registered in the inventory list and is being used as required by the circumstances and the functions of the Tribunal.

**6. Examination regarding the grant given by the Korea International Cooperation Agency**

We have audited whether the grant given to the Tribunal by KOICA, which is maintained in a separate trustee account, is administered in accordance with the memorandum of understanding dated 9 March 2004.

The total sum of the grant in the prior financial period was €205,000. In February 2007, KOICA contributed an additional amount of €13,645 to the fund.

During the period 2007-2008, the sum of €334,141 was used from the KOICA grant to provide funding for the workshops and the internship programme. Workshops were held in Libreville, Kingston, Singapore, Bahrain and Buenos Aires in 2007 and 2008, which were organized by the Tribunal in cooperation with the International Foundation for the Law of the Sea, and with the support of KOICA.

#### **7. Examination regarding the grant given by the Nippon Foundation**

We have audited whether the grant given to the Tribunal by the Nippon Foundation, which is maintained in a separate trustee account, is administered in accordance with the Nippon Foundation Grant Agreement dated 27 March 2007 and 30 March 2008.

The Nippon Foundation grant was established in March 2007. Pursuant to the agreement, the Nippon Foundation agreed to contribute an amount of €200,000 to the Nippon Foundation/International Tribunal for the Law of the Sea capacity-building and training programme on dispute settlement under the United Nations Convention on the Law of the Sea. The purpose of the grant is to finance the expenses of participants from developing countries in the aforementioned programme.

A further amount of €200,000 was paid to the Tribunal in March 2008. During the financial period, the sum of €259,714 was withdrawn from the Nippon Foundation grant to provide funding for the programme's activities. From July 2007 to December 2008 participants from Bangladesh, Cameroon, Mauritania, Nigeria, Peru, Kenya, Gabon, Philippines, China and Romania took part in the programme.

As a result of the work done, no significant matter came to our attention. In our opinion the administration of the grant given by the Nippon Foundation is in accordance with the Nippon Foundation Grant Agreement dated 27 March 2007 and 30 March 2008.

## Appendix VI

### General engagement terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

#### [German Public Auditors and Public Audit Firms] as of 1 January 2002

##### 1. Scope

1. These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

2. If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

##### 2. Scope and performance of the engagement

1. Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services — not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

2. The application of foreign law requires — except for financial attestation engagements — an express written agreement.

3. The engagement does not extend — to the extent it is not directed thereto — to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determinations as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

4. If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

##### 3. The client's duty to inform

1. The client must ensure that the Wirtschaftsprüfer — even without his special request — is provided, on a timely basis, with all supporting documents and records required for and is

informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

2. Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

#### **4. Ensuring independence**

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

#### **5. Reporting and verbal information**

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

#### **6. Protection of the Wirtschaftsprüfer's intellectual property**

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations — especially quantity and cost computations — prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

#### **7. Transmission of the Wirtschaftsprüfer's professional statement**

1. The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

2. The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

#### **8. Correction of deficiencies**

1. Where there are deficiencies, the client is entitled to subsequent fulfilment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfil [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a

government-owned fund under public law or a special government-owned legal person under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfil [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

2. The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

3. Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected — and also be applicable versus third parties — by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw — also versus third parties — such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

## 9. Liability

1. *The liability limitation of § ["Article"] 323 (2) ["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.*

2. *Liability for negligence; An individual case of damages*

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) No. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of *any* kind — except for damages resulting from injury to life, body or health — for an individual case of damages resulting from negligence is limited to €4 million; this also applies if liability to a person other than the client should be established. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to €5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

3. *Preclusive deadlines*

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event

giving rise to the claim — at the very latest, however, within five years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six-month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence.

The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.

#### **10. Supplementary provisions for audit engagements**

1. A subsequent amendment or abridgement of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.

2. If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.

3. The client has a right to 5 copies of long-form report. Additional copies will be charged for separately.

#### **11. Supplementary provisions for assistance with tax matters**

1. When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client — especially numerical disclosures — are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.

2. The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records — especially tax assessments — material to meeting the deadlines, so that the Wirtschaftsprüfer has an appropriate time period available to work therewith.

3. In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:

(a) preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client

(b) examination of tax assessments in relation to the taxes mentioned in (a)

(c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

(d) participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)

(e) participation in einspruchs- und Beschwerdeverfahren [appeals and complaint procedures] with respect to the taxes mentioned in (a).

In the aforementioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

4. If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements, the work mentioned under paragraph 3 (d) and (e) will be charged separately.

5. Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation, and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:

(a) the treatment of non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, real estate acquisition tax

(b) participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and

(c) the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners or shareholders, sale of a business, liquidations and the like.

6. To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisites nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

## 12. Confidentiality towards third parties and data security

1. Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.

2. The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.

3. The Wirtschaftsprüfer is entitled — within the purposes stipulated by the client — to process personal data entrusted to him or allow them to be processed by third parties.

**13. Default of acceptance and lack of cooperation on the part of the client**

If the client defaults in accepting the services offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

**14. Remuneration**

1. In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays: sales tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.

2. Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

**15. Retention and return of supporting documentation and records**

1. The Wirtschaftsprüfer retains, for seven years, the supporting documents and records in connection with the completion of the engagement — that had been provided to him and that he has prepared himself — as well as the correspondence with respect to the engagement.

2. After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

**16. Applicable law**

Only German law applies to the engagement, its conduct and any claims arising therefrom.

### **Special conditions for the increase of the liability under the general engagement terms as of 1 January 2002**

The amounts of €4 million and €5 million, respectively, as provided for in No. 9, paragraph 2, of the attached General Engagement Terms are uniformly substituted by the amount of €5 million.

If, in the client's opinion, the foreseeable contractual risk will be considerably higher than €5 million, BDO Deutsche Warentreuhand Aktiengesellschaft will agree, at the client's request, to offer to the client an increased liability limit if and to the extent the liability insurance for the increased amount can be obtained from a German professional liability insurer. Upon the agreement of an increased liability limit, BDO Deutsche Warentreuhand Aktiengesellschaft is entitled to allow for the premium expense when determining the amount of its fees.

The above-mentioned provisions are not applicable when a greater or lesser liability limit has been provided by law for the respective professional service, particularly in connection with a statutory audit. In such a case, the statutory liability regulations continue to be applicable.

If various causes of damage occur, BDO Deutsche Warentreuhand Aktiengesellschaft is liable within the scope of the increased liability limit only to the extent that causation can be attributed to BDO Deutsche Warentreuhand Aktiengesellschaft or its employees in relation to other causes relevant to the damage. This applies in particular in the case of a joint assignment with other auditors. If, as agreed by the client, a third party is engaged for the execution of an assignment BDO Deutsche Warentreuhand Aktiengesellschaft will only be liable for negligence in connection with the selection of that third party.

**BDO Deutsche Warentreuhand  
Aktiengesellschaft**  
Wirtschaftsprüfungsgesellschaft

## Annex II

### Letter of engagement dated 8 March 2002

BDO Deutsche Warenkreditbank AG - Alismaße 38 - 23552 Lübeck

Mr. Philippe Gautier  
Registrar of the  
International Tribunal for the Law of the Sea  
Am Internationalen Seegerichtshof 1  
22609 Hamburg

Lübeck, 8 March 2006

Contact: Dirk Beecker  
Personal e-mail: dirk.beecker@bdo.de

#### **Audit of financial statements**

Dear Mr. Gautier,

Thank you for engaging us in your letter dated 27 July 2005 to perform the audit of the financial statements of the International Tribunal for the Law of the Sea (in the following "ITLOS") for the financial periods 2005-2006 and 2007-2008 prepared in conformity with the Financial Regulations of ITLOS.

The scope of the audit will especially include the following:

- a) whether the financial statements of the Tribunal present fairly in all material aspects, the financial situation of the International Tribunal for the Law of the Sea;
- b) whether the expenses incurred during this financial period are in accordance with the appropriations made by the Meeting of States Parties;
- c) whether expenditures incurred have been appropriately authorized by the party designated for that purpose in the Rules of the Tribunal and the Financial Regulations of the Tribunal;

- (d) whether staff and persons being paid by the Tribunal have been recruited or engaged in the manner provided for in the Rules of the Tribunal and the Financial Regulations of the Tribunal;
- (e) whether goods and services have been procured in accordance with the procedures provided for in the Financial Regulations of the Tribunal;
- (f) whether goods and services which have been procured are necessary or not excessive, having regard to circumstances and the functions of the Tribunal; and
- (g) whether the grant given to the Tribunal by The Korea International Cooperation Agency of the Republic of Korea (KOICA) maintained in a separate trustee account is administered in accordance with the Memorandum of Understanding dated 9 March 2004.

We will conduct our audit accordingly applying para. 317 HGB (German Commercial Code) and in compliance with generally accepted standards for the audit of financial statements (auditing standards, technical statements and opinions) promulgated by the German Institute of Auditors (Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf, IDW) and thus, in accordance with these, the audit should be planned and performed such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with the Financial Regulations of ITLOS are detected with reasonable assurance.

As part of our audit procedures we shall review and assess the internal control system to the extent that it serves to secure reliable accounting. This audit also serves to appropriately determine the nature and scope of individual audit procedures. We shall conduct our audit procedure on a sample basis as is standard practice in our profession. Because of the test nature and other inherent limitations of performing an audit, together with the implicit limitations of any accounting related internal control system, there is an unavoidable risk that even materially incorrect information may remain undetected. Consequently, fraud and other irregularities, for example, are not necessarily detected by our audit.

We would like to point out that proper accounting, preparation of the annual financial statements and the establishment and maintenance of an adequate internal control system are the responsibility of the legal representatives. This responsibility of the legal representatives is not limited by the audit of the annual financial statements.

We shall report on our audit in writing as is standard practice in the profession. In accordance with the result of the audit we shall issue an audit opinion.

We assume at the beginning of the audit that ITLOS is prepared for the audit, in particular that the annual financial statements has been given to us, and that competent personnel is available and willing to give us information as well as our staff has unlimited access to records, documents and other information required for the audit. Furthermore, ITLOS has an obligation to submit a letter of representation.

Should you intend to publish the annual financial statements audited by us, using our auditors' report together with additional information, you shall pass this information on to us in the form in which it is intended to be published. You shall provide us with respective information as early as possible before it is published, that is, where applicable, before the auditors' report is issued.

We assume that we may store and analyse information and data related to our engagement in electronically administered files in order to efficiently organise these internally.

You authorize us specifically to exchange information and data electronically within the scope of the contractual relation in order to facilitate and accelerate the contract development. You are aware that data sent via the internet are not reliably protected from access by third parties, can be lost, delayed or infected by viruses. Therefore, we do not assume responsibility for the distortion of e-mails after they have left our domain and cannot compensate any damage suffered by this. If, despite our virus protection system, a virus appears in your system from sending e-mails, we are not liable for any damages arising from this. Unless you wish so, agreements for coding techniques and the like can be separately made.

Any amendment to documents sent electronically or the forwarding of such documents electronically to third parties requires our written permission. You shall receive certain documents in both electronic and printed form. Thus, several copies and versions of a document (at the same stage of processing) may exist in different media. Where there are different versions at the same stage of processing, the physically printed form of the document presented to you is always the relevant version of the document.

Please note that our comments and disclosures are only binding if they are made in writing and originally signed by at least two authorised signatories.

Our fees are based on time spent. Additionally, expenses (travel, accommodation and allowance expenses, etc.) and value added tax will be charged.

The assessment of our fees, which is based on a team mix, and out of pocket expenses (travel, per diem etc.) without value added tax will be as follows:

	Audit €	Out of the pocket expenses €
Interim audit work for the financial period 2005	2.000,00	200,00
Audit of the Financial Statements 2005/2006	4.500,00	300,00
Interim audit work for the financial period 2007	2.000,00	200,00
Audit of the Financial Statements 2007/2008	4.500,00	300,00
	13.000,00	1.000,00

In estimating our fee we assume that you are prepared for the audit at the beginning of the audit. If, contrary to expectations, a significant increase in our estimated fee looks likely, we will inform you in time so we can find a solution together.

The performance of the audit and our responsibility and liability – also towards third parties – are governed by the "General Engagement Terms for Wirtschaftsprüfer (German Certified Auditors) and Wirtschaftsprüfungsgesellschaften (German Certified Audit Firms) dated 1 January 2002". In deviation from No. 9 (2) of the General Engagement Terms we have increased the liability under para. 54a (1) No. 2 WPO (German Certified Auditor's Law) to EUR 5 million. This is documented in the Special Conditions for Increased Liability within the General Engagement Terms dated 1 January 2002 as attached. We expressly point out that the extended liability amount is only applicable to the extent that legal liability provisions do not state a lower level of liability, in particular para. 323 (2) HGB with a liability limit of EUR 4 million for the annual audit of the financial statements of public limited companies (Aktiengesellschaften) quoted on the Stock Exchange or rather EUR 1 million for other legally compulsory annual audits of financial statements. If we render services to you beyond this agreement the General Engagement Terms for Wirtschaftsprüfer (German Certified Auditors) and Wirtschaftsprüfungsgesellschaften (German Certified Audit Firms) and our Special Conditions are applicable as well.

Supplementary to the General Engagement Terms attached we would also like to agree Lübeck as the place of jurisdiction.

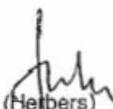
We refer also to our proposal dated 7 February 2005.

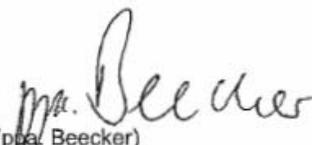
Please indicate your approval of the content of this letter by signing - legally binding - the copy attached and returning it to us.

Thank you for entrusting us with the performance of this engagement for you. We assure you that we shall give it our full attention.

Yours sincerely,

BDO Deutsche Warentreuhand  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

  
(Helbers)  
Wirtschaftsprüfer

  
(paa. Beecker)  
Wirtschaftsprüfer

#### **Appendices**

General Engagement Terms for Wirtschaftsprüfer (German Certified Auditors) and Wirtschaftsprüfungsgesellschaften (German Certified Audit Firms) dated 1 January 2002

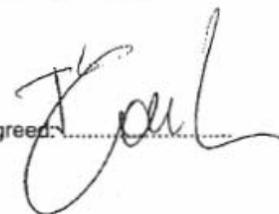
Special Conditions for Increased Liability within the General Engagement Terms dated 1 January 2002.

#### **Declaration of approval by the client**

We approve the engagement content and the General Engagement Terms and Special Conditions referred to above.

10 MAR 2006

Hamburg, .....

Agreed: 

## **General engagement terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften**

[For the text of the general engagement terms, see pp. 34-39]

**Special conditions for the increase of the liability under the general engagement terms as of 1 January 2002**

[For the text of the special conditions see p. 40]

---