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North



Combined Financial Statements 2021

The North of England Protecting And Indemnity Association Limited
The North of England Mutual Insurance Association (Bermuda) Limited

Combined Financial Statements

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

The North of England P&I Association Limited's ("North") consolidated financial statements for the year ended 20 February 2021 are provided in a separate document and The North of England Mutual Insurance Association (Bermuda) Limited's ("NEMIA"), collectively "the Associations", non-statutory financial statements for the same period will be issued to Members on behalf of the Managers of that Company. Financial statements which combine the results and financial position of the Associations follow in this report. All Members are Members of both Clubs and the combined financial statements have been prepared to allow Members to gain a picture of the overall position. The statements have been prepared for illustrative purposes only and have no legal standing. These financial statements are unaudited.

Any reference to the Club in the subsequent narrative relates to the combined position.

Accountant's Report

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

Accountant's Report to the Members of The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited

In accordance with the terms of our engagement letter dated 5 May 2015 we have performed those procedures agreed with the directors of The North of England Protecting and Indemnity Association Limited ("North") and The North of England Mutual Insurance Association (Bermuda) Limited ("NEMIA") (collectively and individually "the Companies") and set out below relating to the unaudited combined financial statements and policy year statements for the year ended 20 February 2021 ("the combined financial statements").

Our report has been prepared for the Companies solely in connection with the preparation of the combined financial statements by the Companies' directors. It has been released to the Companies on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Companies' own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the Companies determined by the Companies' needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Companies for any purpose or in any context. Any party other than the Companies who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

Agreed upon procedures

Our engagement was undertaken in accordance with International Standard on Related Services 4400 Engagements to Perform Agreed-upon Procedures Regarding Financial Information. The procedures performed were as follows:

1. Agree North's figures used in the combined financial statements working papers to the signed statutory consolidated financial statements of North as at 20 February 2021;
2. Agree NEMIA's figures used in the combined financial statements working papers to the signed non-statutory financial statements of NEMIA as at 20 February 2021; We checked the numerical accuracy of the combined financial statements working papers;
3. Check the numerical accuracy of the combined financial statements working papers; In respect of the policy year statements, our procedures being limited to agreeing the figures used to underlying working papers;
4. In respect of the by class analysis in notes 2 to 14, agree the figures used to the outputs from underlying systems;
5. In respect of the policy year statements, agree the figures used to underlying working papers; and
6. Read the accounting policies adopted by North and NEMIA, as defined in their respective financial statements, and identify differences between the two.

Accountant's Report (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

Findings

We report our findings below:

- a. We agreed North's figures in the combined financial statements working papers to the signed statutory consolidated financial statements of North as at 20 February 2021 with no exceptions;
- b. We agreed NEMIA's figures in the combined financial statements working papers to the signed non-statutory financial statements of NEMIA as at 20 February 2021 with exceptions identified that overstate the balance sheet (net assets) and income statement (surplus for the year) by \$10,275, in total, with individual line item differences not exceeding \$12,000; With respect to item 4, we found that the by class analysis included with the notes agreed to the underlying system; and
- c. We noted no exceptions with the numerical accuracy of the combined financial statements working papers;
- d. We agreed the figures used in the by class analysis in notes 2 to 14 to the outputs from underlying systems without exception;
- e. We agreed the figures used in the policy year statements to underlying working papers without exception; and
- f. We did not identify any differences between the accounting policies adopted by North and NEMIA, as defined in their respective financial statements.

Because the above procedures do not constitute either an audit or a review in accordance with International Standards on Auditing (UK and Ireland) or International Standards on Review Engagements (UK and Ireland), we do not express any assurance on the combined financial statements as at 20 February 2021.

Had we been engaged to perform, and had performed, additional procedures, an audit or a review in accordance with International Standards on Auditing (UK and Ireland) or International Standards on Review Engagements (UK and Ireland), other matters might have come to our attention that would have been reported to you.

KPMG LLP

Newcastle upon Tyne
6 September 2021

Combined Statement of Financial Position

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

	Note	2021	2020
Assets			
Intangible assets		19,205	19,108
Property, plant and equipment		21,113	22,313
Reinsurers' share of technical provision			
Provision for unearned premium		14,296	8,963
Claims outstanding		619,744	628,643
Financial assets			
Equity securities – at fair value through profit and loss	3	134,006	130,161
Collective investment vehicles – at fair value through profit and loss	3	854,086	849,238
Loans and receivables including insurance and reinsurance receivables		126,870	101,643
Current tax debtor		313	148
Deferred tax asset		124	238
Derivative financial instruments		3,220	-
Cash and cash equivalents	4	144,098	112,729
Total assets		1,937,075	1,873,184
Accumulated surplus			
Income and expenditure account	14	(179,539)	(143,354)
Contingency fund	15	626,260	581,949
Revaluation reserve	14	3,552	5,215
Total accumulated surplus		450,273	443,810
Non-controlling interest		218	258
Liabilities			
Technical provision			
Provision for unearned premium		58,484	35,746
Claims outstanding		1,288,182	1,256,282
Derivative financial instruments		-	1,095
Reinsurance payables		18,754	13,120
Trade and other payables		71,117	58,202
Corporation tax creditor		2,807	278
Other taxes payable		566	304
Retirement benefit liability		46,674	64,089
Total liabilities		1,486,584	1,429,116
Total accumulated surplus and liabilities		1,937,075	1,873,184

These financial statements were approved by the Board of Directors on 6 September 2021.

PA Jennings

Executive Director

Combined Income Statement

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

	Note	2021	2020
Insurance premium revenue		425,385	357,417
Insurance premium ceded to reinsurers	6	(103,596)	(79,077)
		321,789	278,340
Change in provision for unearned premiums		(19,226)	(10,850)
Reinsurers' share of change in unearned premium		23,774	13,565
		4,548	2,715
Investment income		201	1,015
Net fair value gains at fair value through profit and loss	7	62,006	66,436
Other gains	8	159	251
Other operating income		3,285	3,064
Net income		391,988	351,821
Insurance claims and loss adjustment expenses	9	(675,456)	(821,202)
Insurance claims and loss adjustment expenses recovered from reinsurers	10	373,571	546,712
Net insurance claims		(301,885)	(274,490)
Expenses for the acquisition of insurance and investment contracts	11	(38,909)	(34,213)
Expenses for marketing and administration	12	(34,920)	(43,368)
Expenses for asset management services rendered		(565)	(2,367)
Operating expenses		(74,394)	(79,948)
Reinsurance commission		4,373	2,866
Total expenses		(371,906)	(351,572)
Results of operating activities		20,082	249
Finance expense	13	(3,541)	(869)
(Deficit)/surplus before tax		16,541	(620)
Tax expense		(3,665)	(540)
(Deficit)/surplus for the year		12,876	(1,160)
Attributable to			
Owners		12,795	(1,282)
Non-Controlling interest		81	122
		12,876	(1,160)

Combined Statement of Comprehensive Income

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

	Note	2021	2020
Surplus/(deficit) for the year		12,876	(1,160)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		6,747	(2,491)
Net other comprehensive income to be reclassified to profit or loss		6,747	(2,491)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Revaluation of land and buildings		(1,663)	689
Remeasurement losses on defined benefit plans		(11,416)	(16,143)
Net other comprehensive income not to be reclassified to profit or loss		(13,079)	(15,454)
Total comprehensive income for the year, net of tax		6,544	(19,105)
Attributable to			
Owners		6,463	(19,227)
Non-Controlling interest		81	122
		6,544	(19,105)

Notes to the Combined Financial Statements

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

1. Accounting policies

The principal accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of presentation

These combined financial statements do not constitute North's statutory accounts for the years ended 20 February 2021 and 20 February 2020. They are the non-statutory combined financial statements of North and NEMIA.

These combined financial statements have been prepared in accordance with recognition, measurement and presentation (other than disclosure) principles of International Financial Reporting Standards ("IFRS"). However, whilst the financial information included in these combined financial statements has been computed in accordance with IFRS, these financial statements do not themselves contain sufficient information to comply with IFRS and UK company law.

IFRS compliant financial statements can be found in North's Directors' Report which is available on the Club's website.

All companies within the group prepare financial information in accordance with IFRS with the exception of the following companies:

(a) North Group Services Limited ("NGS")

NGS prepares its financial statements in accordance with United Kingdom generally accepted accounting standard, including FRS 101 *Reduced Disclosure Framework* ("FRS101"). The recognition and measurement criteria applied for the financial statement figures will therefore be the same as IFRS and appropriate for inclusion in the Group financial statements.

(b) Hydra Insurance Company Limited ("Hydra")

Hydra prepares its financial statements in accordance with generally accepted accounting principles in the United Kingdom, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. A conversion to IFRS has not been performed as the relevant North Cell figures are considered as being appropriate for inclusion in the Group financial statements.

(c) NEMIA

NEMIA prepares its non-statutory financial statements in accordance with its own accounting policies as described in those financial statements. A conversion to IFRS has not been performed as the figures are considered as being appropriate for inclusion in the combined financial statements.

The combined financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Associations' accounting policies.

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

1. Accounting policies (cont.)

1.2 Combination

The combined financial statements combine the consolidated financial statements of North and the non-statutory financial statements of NEMIA made up to 20 February each year.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by North. All intra-group transactions, balances, income and expenses are eliminated on consolidation or combination.

1.3 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; less
- the net fair value of the identifiable assets acquired and liabilities assumed

1.4 Foreign currency translation

The combined financial statements are presented in thousands of US Dollars, which is the functional currency of North and NEMIA.

A group entity whose functional currency is not US Dollars is a foreign operation. The income and expenses of foreign operations are translated into US Dollars at the exchange rate ruling at the date of the transactions where practical, otherwise an average rate for the year is used. The assets and liabilities of foreign operations are translated into US Dollars at the rate of exchange prevailing at the reporting date and the resulting exchange differences are recognised in other comprehensive income.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the income statement.

Translation differences on monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated using the foreign exchange rate ruling at the date of transaction.

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

1. Accounting policies (cont.)

1.5 Property, plant and equipment

Land and buildings comprise the offices owned by North. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to North and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Certain items property, plant and equipment are acquired under the definition pursuant to IFRS 16 further information is provided in note 1.10 of these financial statements.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation reserve. Decreases that offset previous increases of the same asset and other decreases are charged to the revaluation reserve in the first instance.

Depreciation on property, plant and equipment is calculated to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Land	No depreciation charged
Buildings	2% per annum reducing balance method or 2% per annum straight line
Computer Equipment	20% - 33.3% per annum straight line method
Motor Vehicles	20% - 33.3% per annum reducing balance method
Office Equipment and Fittings	10% - 33.3% per annum straight line method
Leased property, plant and equipment	The shorter of the lease term or the above

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate.

An asset's carrying amount is written down immediately through the Income Statement to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

1.6 Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Costs in respect of major software developments are capitalised. Capitalised software costs that are not an integral part of the related hardware are included in intangible assets in the statement of financial position and amortised over the expected life of the software of up to 10 years. Amortisation is charged once the asset is available for use.

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

1. Accounting policies (cont.)

1.7 Investments

Financial assets at fair value through income

The Associations classify their investments as financial assets at fair value through income. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date. Financial assets at fair value through income are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through income category are included in the income statement in the period in which they arise.

Regular purchases and sales of investments are recognised on trade date, the date on which the Associations commit to purchase or sell the asset. Investments are initially recognised at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Associations have also transferred substantially all risks and rewards of ownership.

Collective investment vehicles are valued by the fund administrator in line with the agreed valuation policy. The fund administrator values the assets and liabilities for the purposes of calculating the net asset value of each fund and for each class of shares issued by each fund as of each dealing day. Within the discretionary portfolio, the fair values of quoted investments are based on current bid prices.

Derivative financial instruments

The group holds derivative financial instruments to hedge its foreign currency exposure and to support the investment return. Derivatives are categorised as held for trading and are classified as financial assets or financial liabilities at fair value through income. Derivative financial instruments are measured at initial recognition, and subsequently, at fair value and changes in fair value are recognised in the income statement. Transaction costs incurred in buying and selling derivative financial instruments are recognised in the income statement when incurred. The fair value of a derivative financial instrument is determined by reference to published price quotations in an active market.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Associations intend to sell in the short term or that they have designated as at fair value through income or available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

1.8 Impairment of assets

North assesses at each reporting date whether there is any objective evidence that a financial asset or non-financial asset is impaired. An asset is deemed to be impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Objective evidence that an asset or group of assets is impaired includes observable data that comes to the attention of the Associations about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow or carrying amount from an asset or group of assets since the initial recognition of those assets.

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

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

1. Accounting policies (cont.)

1.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1.10 Revenue and expense recognition

Premium income

All elements of revenue arising from insurance contracts and other related services offered by the Associations are recognised on an accruals basis in the accounting period in which the contract is related or services are rendered. North's policy year runs from noon GMT on any 20 February to noon GMT on the following 20 February. North's financial year is coterminous with its policy year for the mutual business, but this is not the case for some of North's diversified business lines where adjustments are made for unearned premium.

Reinsurance premiums and recoveries

Reinsurance premiums, less returns, are charged to the Income Statement on an accrual basis, including a provision for the future expected costs of adjustments to the premium due under existing reinsurance policies. Recoveries under policies purchased by the Associations are accrued so as to match the relevant gross claims and associated provisions and reserves upon which the Associations are entitled to make recoveries.

Claims and related expenses

Claims paid are defined as those claims transactions settled up to the statement of financial position date including the internal and external claims settlement expenses allocated to those transactions.

Claims reserves are estimated on an undiscounted basis. Any changes to the amounts held are adjusted through the Income Statement. Claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the statement of financial position date. Included within the provision is an allowance for the future costs of handling those claims. This is estimated based on past experience and current expectations of future cost levels.

The reinsurers' share represents recoveries received from reinsurance protections in the period plus recoveries receivable now or in the future against claims paid or payable that have not been received at the statement of financial position date, net of any provision for bad debt.

Although the claims reserves are considered to be reasonable, having regard to previous claims experience (including the use of certain statistically based projections), case by case reviews of notified losses and on the basis of information available at the date of determining the provision, the ultimate liabilities will vary as a result of subsequent information and events.

Interest

Interest comprises interest on cash deposits and interest bearing securities and is recognised on an accrual basis.

Employee benefits

Salaries and other employee benefits, including holiday pay, are accounted for on an accrual basis. Payments to staff under the discretionary staff performance related bonus scheme are accounted for in the financial year in which they are awarded.

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

1. Accounting policies (cont.)

1.10 Revenue and expense recognition (cont.)

Retirement benefit schemes

North operates two pension schemes providing benefits based upon final pensionable salary, known as defined benefit schemes. The assets of the schemes are held separately from those of North, being invested with professional managers.

The North and SMI defined benefit schemes were closed to new members on 31 March 2006 and 1 July 2008 respectively.

Both the North scheme and the SMI scheme were closed to future accrual on 31 January 2018.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method with actuarial valuations being carried out at each statement of financial position date. Remeasurements including actuarial gains and losses but excluding net interest are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to income in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense or income plus service costs are recognised in the income statement as incurred.

Leases

The Group assesses whether contracts entered into constitute a lease in accordance with the definition pursuant to IFRS 16. A contract is, or contains a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group used the definition of a lease in IFRS 16

The Group recognises a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset is initially measured at cost and subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, and subsequently at amortised cost using the effective interest method. In calculating the present value of the lease payments in order to determine the lease liability, the Group has used its incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. Generally, the Group has used its incremental borrowing rate of 1.85%. Judgement has been required in order to arrive at this rate; as the Group has no external borrowings this rate has been derived with reference to yields on US Corporate Bonds.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and leases with a term of less than 12 months. Payments associated with such leases are recognised as an expense on a straight-line basis over the lease term.

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

1. Accounting policies (cont.)

1.10 Revenue and expense recognition (cont.)

Taxation

Corporation Tax is provided on relevant income. Where the different treatment of certain items for taxation and accounting purposes results in an obligation to pay more or a right to pay less tax in the future deferred tax is recognised in respect of such temporary differences that have originated but not reversed at the balance sheet date with certain limited exceptions. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred taxation is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

1.11 Changes in accounting standards

A number of other new standards and revisions are effective for periods commencing after 1 January 2020, but they do not have a material effect on the financial statements.

At the date of authorisation of these financial statements, the following standards and amendments were in issue but have not been applied in these financial statements because they are not yet effective:

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

IFRS 17 Insurance Contracts has an effective date of 1 January 2023, following the deferral announced in March 2020. The adoption of IFRS 17 is expected to result in a number of significant changes to the financial statements, not least presentational. The Club is working through a transitional plan for the adoption of this new standard.

The Club has availed itself of the option to defer the application of IFRS 9 Financial Instruments contained within IFRS 4 Insurance Contracts as i) it has not previously adopted IFRS 9; and ii) its activities are predominantly connected with insurance. IFRS 9, which otherwise has an effective date of 1 January 2018, will be applied when IFRS 17 is adopted. The adoption of IFRS 9 is not expected to have a significant impact on the financial statements.

No other future standards currently issued are expected to have a material effect on the financial statements.

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

2. Segmental analysis by class

With an effective date of 30 June 2020 all of the insurance business, and the majority of the assets and liabilities, of Sunderland Marine Insurance Company Limited were transferred to the North parent Company via a Part VII Transfer. Management therefore deem it more appropriate to present this business under the Diversified heading going forward where this was previously termed the SMI category. The segment financial positions for the year ended 20 February 2021 are shown below:

STATEMENT OF FINANCIAL POSITION

	Note	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
Assets							
Intangible assets		19,186	-	-	19	-	19,205
Property, plant and equipment		17,152	-	-	3,961	-	21,113
Investments in group undertakings		6,983	-	-	-	(6,983)	-
Reinsurers' share of technical provision							
Provision for unearned premium		-	-	-	14,296	-	14,296
Claims outstanding	5	593,091	1,813	-	24,840	-	619,744
Financial assets							
Equity securities							
- at fair value through profit and loss	3	120,432	13,574	-	-	-	134,006
Collective investment vehicles							
- at fair value through profit and loss	3	765,376	44,475	5,622	38,613	-	854,086
Loans and receivables including insurance and reinsurance receivables		42,438	20,350	1,666	69,354	(6,938)	126,870
Current tax asset		313	-	-	-	-	313
Deferred tax asset		-	-	-	124	-	124
Derivative financial instruments		3,220	-	-	-	-	3,220
Cash and cash equivalents	4	85,453	560	72	58,013	-	144,098
Total assets		1,653,644	80,772	7,360	209,220	(13,921)	1,937,075
Accumulated surplus							
Income and expenditure account	14	(222,512)	(4,060)	6,381	47,635	(6,983)	(179,539)
Contingency funds	15	575,060	51,200	-	-	-	626,260
Revaluation reserve	14	2,346	-	-	1,206	-	3,552
Total accumulated surplus		354,894	47,140	6,381	48,841	(6,983)	450,273
Non-controlling interest		-	-	-	218	-	218
Liabilities							
Technical provision							
Provision for unearned premium		-	-	-	58,484	-	58,484
Claims outstanding	5	1,172,478	31,349	-	84,355	-	1,288,182
Reinsurance payables		6,211	1,792	979	9,772	-	18,754
Trade and other payables		72,049	461	-	5,545	(6,938)	71,117
Corporation tax creditor		1,338	30	-	1,439	-	2,807
Other tax creditors		-	-	-	566	-	566
Retirement benefit liability		46,674	-	-	-	-	46,674
Total liabilities		1,298,750	33,632	979	160,161	(6,938)	1,486,584
Total accumulated surplus and liabilities		1,653,644	80,772	7,360	209,220	(13,921)	1,937,075

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
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20 February 2021

2. Segmental analysis by class (cont.)

The segment results for the year ended 20 February 2021 are shown below:

INCOME STATEMENT

	Note	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
Insurance premium revenue		291,103	23,901	1,891	107,378	1,112	425,385
Insurance premium ceded to reinsurers	6	(53,538)	(1,594)	(1,712)	(46,259)	(493)	(103,596)
		237,565	22,307	179	61,119	619	321,789
Change in provision for unearned premium		4,117	-	-	(19,356)	(3,987)	(19,226)
Reinsurers' share of change in unearned premium		-	-	-	19,787	3,987	23,774
		4,117	-	-	431	-	4,548
Investment income		362	-	-	(1,249)	1,088	201
Net fair value gains at fair value through profit and loss	7	57,300	4,231	217	258	-	62,006
Other gains	8	12,508	-	-	37	(12,386)	159
Other operating income		-	-	-	3,285	-	3,285
Net income		311,852	26,538	396	63,881	(10,679)	391,988
Insurance claims and loss adjustment expenses	9	(592,211)	(13,611)	-	(54,422)	(15,212)	(675,456)
Insurance claims and loss adjustment expenses recovered from reinsurers	10	361,937	672	-	(4,250)	15,212	373,571
Net insurance claims		(230,274)	(12,939)	-	(58,672)	-	(301,885)
Expenses for the acquisition of insurance and investment contracts	11	(25,386)	(1,242)	(139)	(12,142)	-	(38,909)
Expenses for marketing and administration	12	(16,322)	(5,048)	-	(13,550)	-	(34,920)
Expenses for asset management services rendered		(490)	(32)	(1)	(42)	-	(565)
Operating expenses		(42,198)	(6,322)	(140)	(25,734)	-	(74,394)
Reinsurance commission		-	-	-	4,993	(620)	4,373
Total expenses		(272,472)	(19,261)	(140)	(79,413)	(620)	(371,906)

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
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20 February 2021

2. Segmental analysis by class (cont.)

The segment results for the year ended 20 February 2021 are shown below:

INCOME STATEMENT (cont.)

	Note	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
Results of operating activities		39,380	7,277	256	(15,532)	(11,299)	20,082
Finance expense	13	(1,145)	(627)	(5)	(675)	(1,089)	(3,541)
Surplus / (deficit) before tax		38,235	6,650	251	(16,207)	(12,388)	16,541
Tax expense		(816)	-	-	(2,849)	-	(3,665)
Surplus / (deficit) for the year		37,419	6,650	251	(19,056)	(12,388)	12,876
Other comprehensive income		(13,079)	-	-	7,835	(1,088)	(6,332)
Total movement in reserves for the year, net of tax		24,340	6,650	251	(11,221)	(13,476)	6,544
Attributable to							
Owners		24,340	6,650	251	(11,302)	(13,476)	6,463
Non-controlling interest		-	-	-	81	-	81
		24,340	6,650	251	(11,221)	(13,476)	6,544

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

2. Segmental analysis by class (cont.)

The segment financial positions for the year ended 20 February 2020 are shown below:

STATEMENT OF FINANCIAL POSITION

	Note	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
Assets							
Intangible assets		19,108	-	-	-	-	19,108
Property, plant and equipment		18,699	-	-	3,614	-	22,313
Investments in group undertakings		40,385	-	-	-	(40,385)	-
Reinsurers' share of technical provision							
Provision for unearned premium		-	-	-	11,793	(2,830)	8,963
Claims outstanding	5	577,074	1,038	-	68,487	(17,956)	628,643
Financial assets							
Equity securities							
- at fair value through profit and loss	3	118,380	11,781	-	-	-	130,161
Collective investment vehicles							
- at fair value through profit and loss	3	767,153	42,069	5,407	34,609	-	849,238
Loans and receivables including insurance and reinsurance receivables		46,528	15,520	1,470	44,270	(6,145)	101,643
Current tax asset		10	2	-	136	-	148
Deferred tax asset		-	-	-	238	-	238
Cash and cash equivalents	4	69,077	514	76	43,062	-	112,729
Total assets		1,656,414	70,924	6,953	206,209	(67,316)	1,873,184
Accumulated Surplus							
Income and expenditure account	14	(158,398)	(2,774)	6,131	52,072	(40,385)	(143,354)
Contingency funds	15	538,686	43,263	-	-	-	581,949
Revaluation reserve	14	4,009	-	-	1,206	-	5,215
Total accumulated surplus		384,297	40,489	6,131	53,278	(40,385)	443,810
Non-controlling interest		-	-	-	258	-	258
Liabilities							
Technical provision							
Provision for unearned premium		4,117	-	-	35,616	(3,987)	35,746
Claims outstanding	5	1,144,148	29,792	-	100,298	(17,956)	1,256,282
Derivative financial instruments		1,095	-	-	-	-	1,095
Reinsurance payables		6,942	-	819	11,503	(6,144)	13,120
Trade and other payables		51,448	643	3	4,952	1,156	58,202
Corporation tax creditor		278	-	-	-	-	278
Other tax creditors		-	-	-	304	-	304
Retirement benefit liability		64,089	-	-	-	-	64,089
Total liabilities		1,272,117	30,435	822	152,673	(26,931)	1,429,116
Total accumulated surplus and liabilities		1,656,414	70,924	6,953	206,209	(67,316)	1,873,184

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

2. Segmental analysis by class (cont.)

The segment results for the year ended 20 February 2020 are shown below:

INCOME STATEMENT

	Note	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
Insurance premium revenue		274,726	21,218	1,186	67,275	(6,988)	357,417
Insurance premium ceded to reinsurers	6	(48,467)	(829)	(890)	(37,950)	9,059	(79,077)
		226,259	20,389	296	29,325	2,071	278,340
Change in provision for unearned premium		724	-	-	(10,720)	(854)	(10,850)
Reinsurers' share of change in unearned premium		-	-	-	12,711	854	13,565
		724	-	-	1,991	-	2,715
Investment income		430	17	5	563	-	1,015
Net fair value gains at fair value through profit and loss	7	62,164	3,186	248	838	-	66,436
Other gains	8	132	-	-	119	-	251
Other operating income		-	-	-	3,064	-	3,064
Net income		289,709	23,592	549	35,900	2,071	351,821
Insurance claims and loss adjustment expenses	9	(741,087)	(13,079)	-	(74,085)	7,049	(821,202)
Insurance claims and loss adjustment expenses recovered from reinsurers	10	502,260	(1,372)	-	52,873	(7,049)	546,712
Net insurance claims		(238,827)	(14,451)	-	(21,212)	-	(274,490)
Expenses for the acquisition of insurance and investment contracts	11	(26,231)	(1,579)	(71)	(6,332)	-	(34,213)
Expenses for marketing and administration	12	(25,749)	(5,161)	(93)	(12,365)	-	(43,368)
Expenses for asset management services rendered		(2,223)	(112)	(12)	(20)	-	(2,367)
Operating expenses		(54,203)	(6,852)	(176)	(18,717)	-	(79,948)
Reinsurance commission		-	-	-	4,937	(2,071)	2,866
Total expenses		(293,030)	(21,303)	(176)	(34,992)	(2,071)	(351,572)

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

2. Segmental analysis by class (cont.)

The segment results for the year ended 20 February 2019 are shown below:

INCOME STATEMENT (cont.)

	Note	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
Results of operating activities		(3,321)	2,289	373	908	-	249
Finance (expense)	13	(527)	(36)	(5)	(301)	-	(869)
Surplus / (deficit) before tax		(3,848)	2,253	368	607	-	(620)
Tax expense		(245)	-	-	(295)	-	(540)
Surplus / (deficit) for the year		(4,093)	2,253	368	312	-	(1,160)
Other comprehensive income		(16,143)	-	-	(1,802)	-	(17,945)
Total movement in reserves for the year, net of tax		(20,236)	2,253	368	(1,490)	-	(19,105)
Attributable to							
Owners		(20,236)	2,253	368	(1,612)	-	(19,227)
Non-controlling interest		-	-	-	122	-	122
		(20,236)	2,253	368	(1,490)	-	(19,105)

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

3. Fair value securities

	Year ended 20 February 2021				
	P&I	FD&D	War Risks	Diversified	Total
Market value					
Equity securities - at fair value through income	120,432	13,574	-	-	134,006
Collective investment vehicles - at fair value through income	765,376	44,475	5,622	38,613	854,086
	885,808	58,049	5,622	38,613	988,092
Cost					
Equity securities - at fair value through income	93,372	10,458	-	-	103,830
Collective investment vehicles - at fair value through income	740,423	42,900	5,403	38,613	827,339
	833,795	53,358	5,403	38,613	931,169

	Year ended 20 February 2020				
	P&I	FD&D	War Risks	Diversified	Total
Market value					
Equity securities - at fair value through income	118,380	11,781	-	-	130,161
Debt securities - at fair value through income	767,153	42,069	5,407	34,609	849,238
	885,533	53,850	5,407	34,609	979,399
Cost					
Equity securities - at fair value through income	113,426	11,233	-	-	124,659
Debt securities - at fair value through income	763,415	41,836	5,389	34,609	845,249
	876,841	53,069	5,389	34,609	969,908

4. Cash and cash equivalents

	Year ended 20 February 2021				
	P&I	FD&D	War Risks	Diversified	Total
Cash at bank and in hand	49,066	560	72	31,312	81,010
Short-term bank deposits	23,272	-	-	26,701	49,973
Money market funds	13,115	-	-	-	13,115
	85,453	560	72	58,013	144,098
Year ended 20 February 2020					
	P&I	FD&D	War Risks	Diversified	Total
Cash at bank and in hand	42,795	506	76	23,461	66,838
Short-term bank deposits	15,735	-	-	19,601	35,336
Money market funds	10,547	8	-	-	10,555
	69,077	514	76	43,062	112,729

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

5. Insurance contracts

POLICY YEAR ANALYSIS

P&I Class	Closed Years	Open Policy Years			Handling Reserve	Total
		2018	2019	2020		
At 20 February 2021						
Gross outstanding claims						
Members	171,722	93,571	490,265	209,690	17,142	982,390
Pooling agreement	51,757	30,883	40,835	66,613	-	190,088
	223,479	124,454	531,100	276,303	17,142	1,172,478
Reinsurance amount						
Recoveries due under the pooling agreement	(24,076)	24,400	391,631	-	-	391,955
Recoveries due from reinsurers	54,997	21,507	43,109	81,523	-	201,136
	30,921	45,907	434,740	81,523	-	593,091
Net outstanding claims	192,558	78,547	96,360	197,780	17,142	597,387
At 20 February 2020						
Gross outstanding claims	269,532	103,706	196,000	558,785	16,125	1,144,148
Reinsurance amount	84,092	21,940	70,594	400,448	-	577,074
Net outstanding claims	185,440	81,766	125,406	158,337	16,125	567,074

FD&D Class	Closed Years	Open Policy Years			Handling Reserve	Total
		2018	2019	2020		
At 20 February 2021						
Gross outstanding claims	8,785	3,520	5,398	8,199	5,447	31,349
Reinsurance amount	1,919	357	(227)	(236)	-	1,813
Net outstanding claims	6,866	3,163	5,625	8,435	5,447	29,536
At 20 February 2020						
Gross outstanding claims	9,600	1,827	6,046	7,824	4,495	29,792
Reinsurance amount	1,098	(60)	(89)	89	-	1,038
Net outstanding claims	8,502	1,887	6,135	7,735	4,495	28,754

War Risks Class

There were no outstanding claims at 20 February 2021 (20 February 2020: NIL).

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

6. Insurance premium ceded to reinsurers

	Year ended 20 February 2021					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Market	19,609	1,594	1,666	46,259	493	69,621
International Group	33,929	-	-	-	-	33,929
War Risks Group	-	-	46	-	-	46
	53,538	1,594	1,712	46,259	493	103,596
	Year ended 20 February 2020					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Market	17,140	829	843	37,950	(9,059)	47,703
International Group	31,327	-	-	-	-	31,327
War Risks Group	-	-	47	-	-	47
	48,467	829	890	37,950	(9,059)	79,077

7. Net fair value gains at fair value through income

	Year ended 20 February 2021				
	P&I	FD&D	War Risks	Diversified	Total
Collective Investment Vehicles					
Fixed interest (losses)/gains	(352)	-	-	123	(229)
Net realised gains	4,624	122	16	271	5,033
Net movement on unrealised gains /(losses)	20,452	1,341	201	(136)	21,858
	24,724	1,463	217	258	26,662
Equity securities					
Net realised gains	6,156	199	-	-	6,355
Net movement on unrealised gains	22,105	2,569	-	-	24,674
	28,261	2,768	-	-	31,029
Derivative hedging	4,315	-	-	-	4,315
	57,300	4,231	217	258	62,006
	Year ended 20 February 2020				
	P&I	FD&D	War Risks	Diversified	Total
Debt securities					
Fixed interest	18,703	538	94	521	19,856
Net realised gains	21,028	3,117	195	276	24,616
Net movement on unrealised gains/(losses)	2,803	(1,049)	(41)	41	1,754
	42,534	2,606	248	838	46,226
Equity securities					
Net movement on unrealised gains	64,494	32	-	-	64,526
Net movement on unrealised (losses)/gains	(46,228)	548	-	-	(45,680)
	18,266	580	-	-	18,846
Derivative hedging	1,364	-	-	-	1,364
	62,164	3,186	248	838	66,436

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

8. Other gains

	Year ended 20 February 2021					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Other income	12,508	-	-	37	(12,386)	159

	Year ended 20 February 2020					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Other income	132	-	-	119	-	251

9. Insurance claims and loss adjustment expenses

	Year ended 20 February 2021					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Gross claims paid						
Members' claims	506,477	7,008	-	37,500	(2,744)	548,241
Pooling agreement	33,674	-	-	-	-	33,674
Claims handling costs	23,729	5,047	-	463	-	29,239
	563,880	12,055	-	37,963	(2,744)	611,154
Movements in gross outstanding claims						
Members' claims	(27,910)	1,556	-	16,459	17,956	8,061
Pooling agreement	56,241	-	-	-	-	56,241
	28,331	1,556	-	16,459	17,956	64,302
Total gross claims	592,211	13,611	-	54,422	15,212	675,456

	Year ended 20 February 2020					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Gross claims paid						
Members' claims	297,519	5,615	-	64,305	(11,221)	356,218
Pooling agreement	31,573	-	-	-	-	31,573
Claims handling costs	21,773	4,790	-	1,183	-	27,746
	350,865	10,405	-	65,488	(11,221)	415,537
Movements in gross outstanding claims						
Members' claims	394,254	2,674	-	8,597	4,172	409,697
Pooling agreement	(4,032)	-	-	-	-	(4,032)
	390,222	2,674	-	8,597	4,172	405,665
Total gross claims	741,087	13,079	-	74,085	(7,049)	821,202

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

10. Insurance claims and loss adjustment expenses recovered from reinsurers

	Year ended 20 February 2021					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Reinsurance recoverable on claims paid						
Claims recoverable from reinsurers	345,132	(103)	-	27,820	(2,744)	370,105
Claims recoverable under the pooling agreement	788	-	-	-	-	788
	345,920	(103)	-	27,820	(2,744)	370,893
Movements in reinsurance recoverable on outstanding claims						
Recoveries due from reinsurers	43,909	775	-	(32,070)	17,956	30,570
Recoveries due under the pooling agreement	(27,892)	-	-	-	-	(27,892)
	16,017	775	-	(32,070)	17,956	2,678
	361,937	672	-	(4,250)	15,212	373,571
	Year ended 20 February 2020					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Reinsurance recoverable on claims paid						
Claims recoverable from reinsurers	2,050	47	-	49,294	(11,221)	40,170
Claims recoverable under the pooling agreement	115,015	-	-	-	-	115,015
	117,065	47	-	49,294	(11,221)	155,185
Movements in reinsurance recoverable on outstanding claims						
Recoveries due from reinsurers	23,064	(1,419)	-	3,579	4,172	29,396
Recoveries due under the pooling agreement	362,131	-	-	-	-	362,131
	385,195	(1,419)	-	3,579	4,172	391,527
	502,260	(1,372)	-	52,873	(7,049)	546,712

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

11. Expenses for the acquisition of insurance and investment contracts

	Year ended 20 February 2021				
	P&I	FD&D	War Risks	Diversified	Total
Brokerage	17,004	1,242	139	12,142	30,527
Acquisition costs	8,382	-	-	-	8,382
	25,386	1,242	139	12,142	38,909

	Year ended 20 February 2020				
	P&I	FD&D	War Risks	Diversified	Total
Brokerage	18,740	1,579	71	6,332	26,722
Acquisition costs	7,491	-	-	-	7,491
	26,231	1,579	71	6,332	34,213

In accordance with Schedule 3 of the International Group Agreement 1999 North is required to disclose its Average Expense Ratio for P&I business for the five years ended 20 February 2021. The Ratio of 13.6% (2020: 13.7%) has been calculated in accordance with the Schedule and the guidelines issued by the International Group and is consistent with the relevant financial statements of North and NEMIA.

12. Expenses for marketing and administration

	Year ended 20 February 2021				
	P&I	FD&D	War Risks	Diversified	Total
Gross marketing and administration expenses	48,434	10,095	-	14,258	72,787
Acquisition costs	(8,383)	-	-	-	(8,383)
Claims handling costs	(23,729)	(5,047)	-	(708)	(29,484)
	16,322	5,048	-	13,550	34,920

	Year ended 20 February 2020				
	P&I	FD&D	War Risks	Diversified	Total
Gross marketing and administration expenses	55,013	9,951	93	13,548	78,605
Acquisition costs	(7,491)	-	-	-	(7,491)
Claims handling costs	(21,773)	(4,790)	-	(1,183)	(27,746)
	25,749	5,161	93	12,365	43,368

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

13. Finance income and expenditure

	Year ended 20 February 2021					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Other expense	(1,145)	(627)	(5)	(675)	(1,089)	(3,541)

	Year ended 20 February 2020					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Other income/(expense)	(527)	(36)	(5)	(301)	-	(869)

14. Reserves

All Classes	I&E Account	Contingency Fund	Revaluation Reserve	Accumulated Surplus Attributable to Members	Non-controlling Interest	Total Equity
At 20 February 2020	(143,354)	581,949	5,215	443,810	258	444,068
Total comprehensive income for the year	19,542	(11,416)	(1,663)	6,463	81	6,544
Dividend & exchange	-	-	-	-	(121)	(121)
Transfer to contingency fund	(55,727)	55,727	-	-	-	-
At 20 February 2021	(179,539)	626,260	3,552	450,273	218	450,491

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

15. Contingency fund

All Classes	2021	2021	2020	2020
Opening balance		581,949		492,222
The transfer from the Income and Expenditure account:				
Allocation of investment income for the year	42,284		53,925	
Surplus transferred from closed policy years	13,443		51,945	
		55,727		105,870
Remeasurement losses on defined benefit plans		(11,416)		(16,143)
Closing balance		626,260		581,949
Protecting and Indemnity Class	2021	2021	2020	2020
Opening balance		538,686		452,922
The transfer from the Income and Expenditure account:				
Allocation of investment income	38,803		50,667	
Surplus transferred from closed policy years	8,987		51,240	
		47,790		101,907
Remeasurement losses on defined benefit plans		(11,416)		(16,143)
Closing balance		575,060		538,686

The P&I Contingency Fund was established by the Directors on 12 October 1983 in order to maintain premium stability. The operation of the Contingency Fund is described in the P&I Class rules which are available on the Company's website.

Freight, Demurrage & Defence Class	2021	2021	2020	2020
Opening balance		43,263		39,300
The transfer to the Income and Expenditure account comprises:				
Allocation of investment income	3,483		3,258	
Surplus transferred from closed policy years	4,454		705	
		7,937		3,963
Closing balance		51,200		43,263

The FD&D Contingency Fund was established by the Directors on 23 September 1994 in order to maintain premium stability. The operation of the Contingency Fund is described in the FD&D Class rules which are available on the Company's website.

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
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16. International Group disclosure

North is a member of the International Group of P&I Clubs.

Disclosure for the International Group accounting requirements in respect of outstanding reinsurance recoveries on paid claims in the P&I Class is as follows:

	2021	2020
Recoveries due under the pooling agreement	20,530	25,404
Recoveries due from other reinsurers	1,758	1,163
	22,288	26,567

Disclosure for the International Group accounting requirements in respect of the change in provision in respect of claims outstanding in the P&I Class is as follows:

	2021	2020
Gross outstanding claims		
Members	(27,910)	394,254
Pooling agreement	56,241	(4,032)
	28,331	390,222
Reinsurers' share		
Recoveries due from reinsurers	(43,909)	(23,064)
Recoveries due under the pooling agreement	27,892	(362,131)
	(16,017)	(385,195)
Movement in net outstanding claims	12,314	5,027

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
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Combined P&I Class policy year statement

	Closed Years	2018/ 2019	2019/ 2020	2020/ 2021	Claims Handling Reserve	Contingency Fund	Revaluation Reserve	Total
Mutual & fixed premium								
Invoiced in prior years		258,821	250,631	-	-	-	-	509,452
Invoiced in current year		484	4,886	275,285	-	-	-	280,665
		259,305	255,517	275,285	-	-	-	790,107
Release premium		225	292	131	-	-	-	648
		259,530	255,809	275,416	-	-	-	790,755
Reinsurance premium		(52,504)	(48,236)	(54,991)	-	-	-	(155,731)
		207,026	207,573	220,425	-	-	-	635,024
Investment income, gains on sale of investments and exchange movements		11,586	8,927	16,418	-	192,172	-	229,103
Other income		14,597	117	12,508	-	-	-	27,222
Transfers		-	-	-	-	385,937	-	385,937
		233,209	216,617	249,351	-	578,109	-	1,277,286
Members' & pool claims		(140,706)	(141,566)	(45,246)	-	-	-	(327,518)
Expenses & tax		(50,668)	(54,758)	(48,184)	-	(3,049)	-	(156,659)
Surplus available on closed years	177,803	-	-	-	-	-	-	177,803
Balances available for outstanding claims	177,803	41,835	20,293	155,921	-	575,060	-	970,912
Outstanding claims	(223,480)	(124,453)	(531,100)	(276,303)	(17,142)	-	-	(1,172,478)
Reinsurance recoveries	30,920	45,907	434,741	81,523	-	-	-	593,091
RITC on acquisition	14,757	-	-	-	-	-	-	14,757
	(177,803)	(78,546)	(96,359)	(194,780)	(17,142)	-	-	(564,630)
Revaluation reserve	-	-	-	-	-	-	2,346	2,346
Other regulatory reserves	-	-	-	(53,734)	-	-	-	(53,734)
Surplus / (deficit) at 20 February 2021	-	(36,711)	(76,066)	(92,593)	(17,142)	575,060	2,346	354,894
Surplus / (deficit) at 20 February 2020	-	(26,597)	(46,363)	(69,313)	(16,125)	538,686	4,009	384,297

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

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Notes to the combined P&I Class policy year statement

- i. The Combined P&I Class Policy Year Statement ("the Statement") is based on the combined policy year results of North and NEMIA ("the Associations"). The Statement aggregates the policy year statements of the Associations and eliminates the effect of the reinsurance transaction by which North reinsures 90% of its P&I risks and accumulated outstanding claims with NEMIA. The Associations have accounted for the reinsurance transaction in their respective accounts for the year ended 20 February 2021.
- ii. Investment income, gains and losses on sales of investments and exchange movements are allocated to open policy years on the basis of a seven year projection using the annualised return of the previous seven years, and the remainder is allocated to the contingency fund.
- iii. Premium is net of brokerage.
- iv. Expenses and tax charged to open policy years are as follows:

	2018/ 2019	2019/ 2020	2020/ 2021
General and administrative expenses	50,668	54,763	48,184

From 2014/15, investment expenses and investment related taxation are charged to the contingency fund.

- v. Estimated outstanding claims include appropriate amounts in each policy year for incurred but not reported (IBNR) claims.
- vi. A deficit on any open policy year will be funded by, if necessary, a transfer from the contingency fund or by making an additional call.
- vii. Future investment income has not been included in the statement and claims have not been discounted.
- viii. Transfers are made from the contingency fund to meet exceptional items and to maintain call stability.
- ix. The approximate yield of a 10% additional call on the open policy years would be:
2018/19 US\$ 22.6 million
2019/20 US\$ 21.5 million
2020/21 US\$ 23.3 million

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2021

Combined FD&D Class policy year statement

	Closed Years	2018/ 2019	2019/ 2020	2020/ 2021	Claims Handling Reserve	Contingency Fund	Total
Mutual & fixed premium							
Invoiced in prior years		18,976	19,328	-	-	-	38,304
Invoiced in current year		16	1,136	21,483	-	-	22,635
		18,992	20,464	21,483	-	-	60,939
Release premium		23	18	13	-	-	54
		19,015	20,482	21,496	-	-	60,993
Reinsurance premium		(864)	(838)	(1,518)	-	-	(3,220)
		18,151	19,644	19,978	-	-	57,773
Investment income, gains on sale of investments and exchange movements		(238)	(203)	91	-	6,297	5,947
Other income		-	-	-	-	-	-
Transfers		-	-	-	-	44,903	44,903
		17,913	19,441	20,069	-	51,200	108,623
Members' & pool claims		(5,171)	(3,576)	(1,072)	-	-	(9,819)
Expenses & tax		(8,951)	(9,951)	(10,092)	-	-	(28,994)
Surplus available on closed years	6,866	-	-	-	-	-	6,866
Balances available for outstanding claims	6,866	3,791	5,914	8,905	-	51,200	76,676
Outstanding claims	(8,785)	(3,520)	(5,398)	(8,199)	(5,447)	-	(31,349)
Reinsurance recoveries	1,919	357	(227)	(236)	-	-	1,813
	(6,866)	(3,163)	(5,625)	(8,435)	(5,447)	-	(29,536)
Surplus / (deficit) at 20 February 2021	-	628	289	470	(5,447)	51,200	47,140
Surplus / (deficit) at 20 February 2020	-	2,227	(174)	(332)	(4,495)	43,263	40,489

Notes to the Combined Financial Statements (cont.)

North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited
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Notes to the combined FD&D class policy year statement

- i. The Combined FD&D Class Policy Year Statement ("the Statement") is based on the combined policy year results of North and NEMIA ("the Associations"). The Statement aggregates the policy year statements of the Associations and eliminates the effect of the reinsurance transaction by which North reinsures 90% of its FD&D risks and accumulated outstanding claims with NEMIA. The Associations have accounted for the reinsurance transaction in their respective accounts for the period ended 20 February 2021.
- ii. Investment income, gains and losses on sales of investments and exchange movements are allocated to open policy years on the basis of a seven year projection using the annualised return of the previous seven years, and the remainder is allocated to the contingency fund.
- iii. Premium is net of brokerage.
- iv. Expenses and tax charged to open policy years are as follows:

	2018/ 2019	2019/ 2020	2020/ 2021
General and administrative expenses	8,951	9,951	10,092

- v. Estimated outstanding claims include appropriate amounts in each policy year for incurred but not reported (IBNR) claims.
- vi. A deficit on any open policy year will be funded by, if necessary, a transfer from the contingency fund or by making an additional call.
- vii. Future investment income has not been included in the statement and claims have not been discounted.
- viii. Transfers are made from the Contingency Fund to meet exceptional items and to maintain call stability. The surplus on closed years has been transferred to the contingency fund.
- ix. The approximate yield of a 10% additional call on the open policy years would be:
2018/19 US\$ 1.2 million
2019/20 US\$ 1.2 million
2020/21 US\$ 1.3 million

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