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North



Combined Financial Statements 2022

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 2022

The North of England P&I Association Limited's ("North") consolidated financial statements for the year ended 20 February 2022 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 Associations 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 2022

Accountant's Report to the Members of The North of England P&I Association Limited

In accordance with the terms of our engagement letter dated 5 July 2022 we have performed those procedures agreed with the directors of The North of England Protecting and Indemnity Association Limited ("North") and set out below relating to the unaudited combined financial statements and policy year statements for the year ended 20 February 2022 ("the combined financial statements").

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

Our report was designed to meet the agreed requirements of North determined by North's 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 North for any purpose or in any context. Any party other than North 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 2022;
2. Agree The North of England Mutual Insurance Association (Bermuda) Limited's ("NEMIA") figures used in the combined financial statements working papers to the signed financial statements of NEMIA as at 20 February 2022;
3. Check the numerical accuracy of the combined financial statements 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 2022

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 2022 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 2022 with exceptions identified that understate the balance sheet (net assets) and income statement (surplus for the year) by \$1,052, in total, with individual line item differences not exceeding \$1,715;
- 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 meaningful 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 2022.

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

11 July 2022

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 2022

	Note	2022	2021
Assets			
Intangible assets		19,152	19,205
Property, plant and equipment		21,434	21,113
Reinsurers' share of technical provision			
Provision for unearned premium		22,445	14,296
Claims outstanding		474,644	619,744
Financial assets			
Equity securities – at fair value through profit and loss	3	100,917	134,006
Collective investment vehicles – at fair value through profit and loss	3	841,205	854,086
Loans and receivables including insurance and reinsurance receivables		170,157	126,870
Current tax debtor		71	313
Deferred tax asset		372	124
Derivative financial instruments		–	3,220
Cash and cash equivalents	4	153,483	144,098
Total assets		1,803,880	1,937,075
Accumulated surplus			
Income and expenditure account	14	(186,946)	(179,539)
Contingency fund	15	616,781	626,260
Revaluation reserve	14	3,801	3,552
Total accumulated surplus		433,636	450,273
Non-controlling interest		149	218
Liabilities			
Technical provision			
Provision for unearned premium		51,913	58,484
Claims outstanding		1,146,110	1,288,182
Derivative financial instruments		42	–
Reinsurance payables		36,664	18,754
Trade and other payables		118,690	71,117
Corporation tax creditor		467	2,807
Other taxes payable		559	566
Retirement benefit liability		15,650	46,674
Total liabilities		1,370,095	1,486,584
Total accumulated surplus and liabilities		1,803,880	1,937,075

These financial statements were approved by the Board of Directors on 11 July 2022.

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 2022

	Note	2022	2021
Insurance premium revenue		425,169	425,385
Insurance premium ceded to reinsurers	6	(109,378)	(103,596)
		315,791	321,789
Change in provision for unearned premiums		3,856	(19,226)
Reinsurers' share of change in unearned premium		27,217	23,774
		31,073	4,548
Investment income		282	201
Net fair value gains at fair value through profit and loss	7	(19,984)	62,006
Other gains	8	(39)	159
Other operating income		3,147	3,285
Net income		330,270	391,988
Insurance claims and loss adjustment expenses	9	(469,601)	(675,456)
Insurance claims and loss adjustment expenses recovered from reinsurers	10	187,591	373,571
Net insurance claims		(282,010)	(301,885)
Expenses for the acquisition of insurance and investment contracts	11	(44,169)	(38,909)
Expenses for marketing and administration	12	(47,478)	(34,920)
Expenses for asset management services rendered		(601)	(565)
Operating expenses		(92,248)	(74,394)
Reinsurance commission		4,024	4,373
Total expenses		(370,234)	(371,906)
Results of operating activities		(39,964)	20,082
Finance expense	13	(569)	(3,541)
(Deficit)/surplus before tax		(40,533)	16,541
Tax expense		(2,028)	(3,665)
(Deficit)/surplus for the year		(42,561)	12,876
Attributable to			
Owners		(42,617)	12,795
Non-Controlling interest		56	81
		(42,561)	12,876

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 2022

	Note	2022	2021
(Deficit) / surplus for the year		(42,561)	12,876
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
Net other comprehensive income to be reclassified to profit or loss		-	6,747
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Revaluation of land and buildings		-	(1,663)
Remeasurement gains / (losses) on defined benefit plans		26,046	(11,416)
Net other comprehensive income not to be reclassified to profit or loss		26,046	(13,079)
Total comprehensive income for the year, net of tax		(16,515)	6,544
Attributable to:			
Owners		(16,571)	6,463
Non-Controlling interest		56	81
		(16,515)	6,544

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 2022

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 2022 and 20 February 2021. 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 Club 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 combined 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 combined 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.

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.

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 2022

1. Accounting policies (cont.)

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 Club.

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 Club 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 Club 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 Club 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 2022

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 2022

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 Club 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 2022

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 2022

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 Club 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 Club used the definition of a lease in IFRS 16

The Club 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 Club 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 Club has used its incremental borrowing rate of 1.85%. Judgement has been required in order to arrive at this rate; as the Club has no external borrowings this rate has been derived with reference to yields on US Corporate Bonds.

The Club 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.

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.

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 2022

1. Accounting policies (cont.)

1.11 Changes in accounting standards

New and amended IFRS as adopted by the EU effective for the period commencing 20 February 2021 did not have a material effect on the financial statements. These include amendments to IFRS 4, IFRS 9, IAS 39, IFRS 7 and IFRS 16

At the date of authorisation of these financial statements, the following standards and amendments had been published but have not been applied in these financial statements either because they are not yet effective, they have not yet been adopted by the EU, or the Club has availed itself of a temporary exemption to defer application:

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (not yet effective)
- IFRS 9 Financial Instruments (application deferred)
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) (not yet effective)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) (not yet effective)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (not yet endorsed)
- Disclosure of Accounting Policies (Amendments to IAS 1) (not yet endorsed)
- Definition of Accounting Estimates (Amendments to IAS 8) (not yet endorsed)
- Deferred tax related to assets and liabilities from a single transaction (Amendments to IAS 12) (not yet endorsed)
- Initial application of IFRS 9 and IFRS 17 – Comparative information (Amendments to IFRS 17) (not yet endorsed)

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 2022

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 2022 are shown below:

STATEMENT OF FINANCIAL POSITION

20 February 2022	Note	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
Assets							
Intangible assets		19,152	-	-	-	-	19,152
Property, plant and equipment		17,750	-	-	3,684	-	21,434
Investments in group undertakings		6,933	-	-	-	(6,933)	-
Reinsurers' share of technical provision							
Provision for unearned premium		13,174	-	-	9,271	-	22,445
Claims outstanding	5	425,332	1,623	-	47,689	-	474,644
Financial assets							
Equity securities							
- at fair value through profit and loss	3	88,342	12,575	-	-	-	100,917
Collective investment vehicles							
- at fair value through profit and loss	3	782,498	44,547	5,473	8,687	-	841,205
Loans and receivables including insurance and reinsurance receivables		42,025	22,240	1,618	111,207	(6,933)	170,157
Current tax asset		71	-	-	-	-	71
Deferred tax asset		185	-	-	187	-	372
Cash and cash equivalents	4	90,729	-	-	62,754	-	153,483
Total assets		1,486,191	80,985	7,091	243,479	(13,866)	1,803,880
Accumulated surplus							
Income and expenditure account	14	(231,970)	(5,240)	6,092	51,105	(6,933)	(186,946)
Contingency funds	15	564,510	52,271	-	-	-	616,781
Revaluation reserve	14	2,346	-	-	1,455	-	3,801
Total accumulated surplus		334,886	47,031	6,092	52,560	(6,933)	433,636
Non-controlling interest		-	-	-	149	-	149
Liabilities							
Technical provision							
Provision for unearned premium		-	-	-	51,913	-	51,913
Claims outstanding	5	995,077	33,097	-	117,936	-	1,146,110
Derivative financial instruments		42	-	-	-	-	42
Reinsurance payables		17,929	241	999	17,495	-	36,664
Trade and other payables		122,607	588	-	2,428	(6,933)	118,690
Corporation tax creditor		-	-	-	467	-	467
Other tax creditors		-	28	-	531	-	559
Retirement benefit liability		15,650	-	-	-	-	15,650
Total liabilities		1,151,305	33,954	999	190,770	(6,933)	1,370,095
Total accumulated surplus and liabilities		1,486,191	80,985	7,091	243,479	(13,866)	1,803,880

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 2022

2. Segmental analysis by class (cont.)

The segment results for the year ended 20 February 2022 are shown below:

INCOME STATEMENT

20 February 2022	Note	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
Insurance premium revenue		296,251	22,754	1,280	104,885	(1)	425,169
Insurance premium ceded to reinsurers	6	(66,653)	774	(1,203)	(42,297)	1	(109,378)
		229,598	23,528	77	62,588	-	315,791
Change in provision for unearned premium		-	-	-	3,856	-	3,856
Reinsurers' share of change in unearned premium		13,174	-	-	14,043	-	27,217
		13,174	-	-	17,899	-	31,073
Investment income		271	-	-	11	-	282
Net fair value gains at fair value through profit and loss	7	(18,572)	(892)	(144)	(376)	-	(19,984)
Other gains / (losses)	8	47	-	-	(86)	-	(39)
Other operating income		-	-	-	3,147	-	3,147
Net income		224,518	22,636	(67)	83,183	-	330,270
Insurance claims and loss adjustment expenses	9	(368,856)	(15,005)	-	(85,740)	-	(469,601)
Insurance claims and loss adjustment expenses recovered from reinsurers	10	155,585	(190)	-	32,196	-	187,591
Net insurance claims		(213,271)	(15,195)	-	(53,544)	-	(282,010)
Expenses for the acquisition of insurance and investment contracts	11	(27,253)	(1,569)	(81)	(15,266)	-	(44,169)
Expenses for marketing and administration	12	(27,647)	(6,398)	(140)	(13,293)	-	(47,478)
Expenses for asset management services rendered		(528)	(35)	(3)	(35)	-	(601)
Operating expenses		(55,428)	(8,002)	(224)	(28,594)	-	(92,248)
Reinsurance commission		-	-	-	4,024	-	4,024
Total expenses		(268,699)	(23,197)	(224)	(78,114)	-	(370,234)

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 2022

2. Segmental analysis by class (cont.)

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

INCOME STATEMENT (cont.)

20 February 2022	Note	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
Results of operating activities		(44,181)	(561)	(291)	5,069	-	(39,964)
Finance income/ (expense)	13	2,082	452	2	(3,105)	-	(569)
(Deficit) / surplus before tax		(42,099)	(109)	(289)	1,964	-	(40,533)
Tax income / (expense)		301	-	-	(2,329)	-	(2,028)
Deficit for the year		(41,798)	(109)	(289)	(365)	-	(42,561)
Other comprehensive income		26,046	-	-	-	-	26,046
Total movement in reserves for the year, net of tax		(15,752)	(109)	(289)	(365)	-	(16,515)
Attributable to							
Owners		(15,752)	(109)	(289)	(421)	-	(16,571)
Non-controlling interest		-	-	-	56	-	56
		(15,752)	(109)	(289)	(365)	-	(16,515)

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 2022

2. Segmental analysis by class (cont.)

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

STATEMENT OF FINANCIAL POSITION

20 February 2022	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
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2022

2. Segmental analysis by class (cont.)

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

INCOME STATEMENT

20 February 2022	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
Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2022

2. Segmental analysis by class (cont.)

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

INCOME STATEMENT (cont.)

20 February 2022	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 2022

3. Fair value securities

	Year ended 20 February 2022				
	P&I	FD&D	War Risks	Diversified	Total
Market value					
Equity securities - at fair value through income	88,342	12,575	-	-	100,917
Collective investment vehicles - at fair value through income	782,498	44,547	5,473	8,687	841,205
	870,840	57,122	5,473	8,687	942,122
Cost					
Equity securities - at fair value through income	71,147	10,077	-	-	81,224
Collective investment vehicles - at fair value through income	774,228	43,745	5,405	8,935	832,313
	845,375	53,822	5,405	8,935	913,537

	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
Debt securities - 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
Debt securities - 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

4. Cash and cash equivalents

	Year ended 20 February 2022				
	P&I	FD&D	War Risks	Diversified	Total
Cash at bank and in hand	35,924	-	-	31,692	67,616
Short-term bank deposits	29,550	-	-	31,062	60,612
Money market funds	25,255	-	-	-	25,255
	90,729	-	-	62,754	153,483
	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

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 2022

5. Insurance contracts

POLICY YEAR ANALYSIS

P&I Class	Closed Years	Open Policy Years			Handling Reserve	Total
		2019	2020	2021		
At 20 February 2022						
Gross outstanding claims						
Members	156,274	283,928	108,307	226,180	14,684	789,373
Pooling agreement	68,240	31,398	54,761	51,305	-	205,704
	224,514	315,326	163,068	277,485	14,684	995,077
Reinsurance amount						
Recoveries due under the pooling agreement	(3,268)	183,952	-	16,354	-	197,038
Recoveries due from reinsurers	34,097	74,509	52,031	67,657	-	228,294
	30,829	258,461	52,031	84,011	-	425,332
Net outstanding claims	193,685	56,865	111,037	193,474	14,684	569,745

At 20 February 2021

Gross outstanding claims	347,933	531,100	276,303	-	17,142	1,172,478
Reinsurance amount	76,828	434,740	81,523	-	-	593,091
Net outstanding claims	271,105	96,360	194,780	-	17,142	579,387

FD&D Class	Closed Years	Open Policy Years			Handling Reserve	Total
		2019	2020	2021		
At 20 February 2022						
Gross outstanding claims	8,304	3,539	4,425	8,841	7,988	33,097
Reinsurance amount	617	101	302	603	-	1,623
Net outstanding claims	7,687	3,438	4,123	8,238	7,988	31,474
At 20 February 2021						
Gross outstanding claims	12,305	5,398	8,199	-	5,447	31,349
Reinsurance amount	2,276	(227)	(236)	-	-	1,813
Net outstanding claims	10,029	5,625	8,435	-	5,447	29,536

War Risks Class

There were no outstanding claims at 20 February 2022 (20 February 2021: 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 2022

6. Insurance premium ceded to reinsurers

	Year ended 20 February 2022					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Market	33,078	(774)	1,157	42,297	(1)	75,757
International Group	33,575	-	-	-	-	33,575
War Risks Group	-	-	46	-	-	46
	66,653	(774)	1,203	42,297	(1)	109,378
	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

7. Net fair value (losses) / gains at fair value through income

	Year ended 20 February 2022					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Collective Investment Vehicles						
Net realised gains / (losses)	2,334	68	6	(128)	-	2,280
Net movement on unrealised losses	(16,648)	(774)	(150)	(248)	-	(17,820)
	(14,314)	(706)	(144)	(376)		(15,540)
Equity securities						
Net realised gains	8,869	430	-	-	-	9,299
Net movement on unrealised gains	(9,866)	(616)	-	-	-	(10,482)
	(997)	(186)	-	-	-	(1,183)
Derivative hedging						
	(3,261)	-	-	-	-	(3,261)
	(18,572)	(892)	(144)	(376)		(19,984)
	Year ended 20 February 2021					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Debt securities						
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

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 2022

8. Other (losses) / gains

	Year ended 20 February 2022					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Other income / (expense)	47	-	-	(86)	-	(39)

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

9. Insurance claims and loss adjustment expenses

	Year ended 20 February 2022					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Gross claims paid						
Members' claims	492,294	6,645	-	47,582	-	546,521
Pooling agreement	36,924	-	-	-	-	36,924
Claims handling costs	17,040	6,611	-	854	-	24,505
	546,258	13,256	-	48,436	-	607,950
Movements in gross outstanding claims						
Members' claims	(176,552)	1,749	-	37,304	-	(137,499)
Pooling agreement	(850)	-	-	-	-	(850)
	(177,402)	1,749	-	37,304	-	(138,349)
Total gross claims	368,856	15,005	-	85,740	-	469,601

	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

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 2022

10. Insurance claims and loss adjustment expenses recovered from reinsurers

	Year ended 20 February 2022					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Reinsurance recoverable on claims paid						
Claims recoverable from reinsurers	323,307	-	-	8,601	-	331,908
Claims recoverable under the pooling agreement	37	-	-	-	-	37
	323,344	-	-	8,601	-	331,945
Movements in reinsurance recoverable on outstanding claims						
Recoveries due from reinsurers	24,546	(190)	-	23,595	-	47,951
Recoveries due under the pooling agreement	(192,305)	-	-	-	-	(192,305)
	(167,759)	(190)	-	23,595	-	(144,354)
	155,585	(190)	-	32,196	-	187,591
	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

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 2022

11. Expenses for the acquisition of insurance and investment contracts

	Year ended 20 February 2022				
	P&I	FD&D	War Risks	Diversified	Total
Brokerage	18,251	1,569	81	15,266	35,167
Acquisition costs	9,002	-	-	-	9,002
	27,253	1,569	81	15,266	44,169

	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

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 2022. The Ratio of 15.2% (2021: 13.6%) 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 2022				
	P&I	FD&D	War Risks	Diversified	Total
Gross marketing and administration expenses	53,689	13,009	140	14,147	80,985
Acquisition costs	(9,002)	-	-	-	(9,002)
Claims handling costs	(17,040)	(6,611)	-	(854)	(24,505)
	27,647	6,398	140	13,293	47,478

	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

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 2022

13. Finance income and expenditure

	Year ended 20 February 2022					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Other income / (expense)	2,082	452	2	(3,105)	-	(569)

	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)

14. Reserves

All Classes	I&E Account	Contingency Fund	Revaluation Reserve	Accumulated Surplus Attributable to Members	Non-controlling Interest	Total Equity
At 20 February 2021	(179,539)	626,260	3,552	450,273	218	450,491
Total comprehensive income for the year	(42,617)	26,046	-	(16,571)	56	(16,515)
Dividend & exchange	(315)	-	249	(66)	(125)	(191)
Transfer to contingency fund	35,525	(35,525)	-	-	-	-
At 20 February 2022	(186,946)	616,781	3,801	433,636	149	433,785

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 2022

15. Contingency fund

All Classes	2022	2022	2021	2021
Opening balance		626,260		581,949
The transfer from the Income and Expenditure account:				
Allocation of investment income for the year	(33,831)		42,284	
(Deficit) / surplus transferred from closed policy years	(1,694)		13,443	
		(35,525)		55,727
Remeasurement gains / (losses) on defined benefit plans		26,046		(11,416)
Closing balance		616,781		626,260
Protecting and Indemnity Class	2022	2022	2021	2021
Opening balance		575,060		538,686
The transfer from the Income and Expenditure account:				
Allocation of investment income	(33,296)		38,803	
(Deficit) / surplus transferred from closed policy years	(3,300)		8,987	
		(36,596)		47,790
Remeasurement losses on defined benefit plans		26,046		(11,416)
Closing balance		564,510		575,060

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 Club's website.

Freight, Demurrage & Defence Class	2022	2022	2021	2021
Opening balance		51,200		43,263
The transfer to the Income and Expenditure account comprises:				
Allocation of investment income	(535)		3,483	
Surplus transferred from closed policy years	1,606		4,454	
		1,071		7,937
Closing balance		52,271		51,200

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 Club'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

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

	2022	2021
Recoveries due under the pooling agreement	797	20,530
Recoveries due from other reinsurers	916	1,758
	1,713	22,288

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:

	2022	2021
Gross outstanding claims		
Members	(193,017)	(27,910)
Pooling agreement	15,616	56,241
	(177,401)	28,331
Reinsurers' share		
Recoveries due from reinsurers	27,158	(43,909)
Recoveries due under the pooling agreement	(194,917)	27,892
	(167,759)	(16,017)
Movement in net outstanding claims	(9,642)	12,314

Notes to the Combined Financial Statements (cont.)

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Combined P&I Class policy year statement

	Closed Years	2019/ 2020	2020/ 2021	2021/ 2022	Claims Handling Reserve	Contingency Fund	Revaluation Reserve	Total
Mutual & fixed premium								
Invoiced in prior years		255,517	275,285	-	-	-	-	530,802
Invoiced in current year		(60)	657	277,133	-	-	-	277,730
		255,457	275,942	277,133	-	-	-	808,532
Release premium		298	249	144	-	-	-	691
		255,755	276,191	277,277	-	-	-	809,223
Reinsurance premium		(48,904)	(55,861)	(55,868)	-	-	-	(160,633)
		206,851	220,330	221,409	-	-	-	648,590
Investment income, gains on sale of investments and exchange movements		8,927	16,418	16,850	-	158,886	-	201,081
Other income		117	12,508	47	-	-	-	12,672
Transfers		-	-	-	-	408,794	-	408,794
		215,895	249,256	238,306	-	567,680	-	1,271,137
Members' & pool claims		(173,332)	(96,842)	(74,526)	-	-	-	(344,700)
Expenses & tax		(54,758)	(48,184)	(53,795)	-	(3,170)	-	(159,907)
Surplus available on closed years	178,928	-	-	-	-	-	-	178,928
Balances available for outstanding claims	178,928	(12,195)	104,230	109,985	-	564,510	-	945,458
Outstanding claims	(224,514)	(315,326)	(163,068)	(277,485)	(14,684)	-	-	(995,077)
Reinsurance recoveries	30,829	258,461	52,031	84,011	-	-	-	425,332
RITC on acquisition	14,757	-	-	-	-	-	-	14,757
	(178,928)	(56,865)	(111,037)	(193,474)	(14,684)	-	-	(554,988)
Revaluation reserve	-	-	-	-	-	-	2,346	2,346
Other regulatory reserves	-	-	(53,734)	(4,196)	-	-	-	(57,930)
(Deficit) / surplus at 20 February 2022	-	(69,060)	(60,541)	(87,685)	(14,684)	564,510	2,346	334,886
(Deficit) / surplus at 20 February 2021	(36,711)	(76,066)	(92,593)	-	(17,142)	575,060	2,346	354,894

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 2022

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 2022
- 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:

	2019/ 2020	2020/ 2021	2021/ 2022
General and administrative expenses	54,763	48,184	53,795

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:
2019/20 US\$ 21.5 million
2020/21 US\$ 23.3 million
2021/22 US\$ 23.8 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 2022

Combined FD&D Class policy year statement

	Closed Years	2019/ 2020	2020/ 2021	2021/ 2022	Claims Handling Reserve	Contingency Fund	Total
Mutual & fixed premium							
Invoiced in prior years		20,464	21,483	-	-	-	41,947
Invoiced in current year		31	203	20,938	-	-	21,172
		20,495	21,686	20,938	-	-	63,119
Release premium		18	22	6	-	-	46
		20,513	21,708	20,944	-	-	63,165
Reinsurance premium		(830)	(809)	(71)	-	-	(1,710)
		19,683	20,899	20,873	-	-	61,455
Investment income, gains on sale of investments and exchange movements		(203)	90	59	-	5,763	5,709
Other income		-	-	-	-	-	-
Transfers		-	-	-	-	46,508	46,508
		19,480	20,989	20,932	-	52,271	113,672
Members' & pool claims		(5,697)	(3,343)	(761)	-	-	(9,801)
Expenses & tax		(9,951)	(10,093)	(13,009)	-	-	(33,053)
Surplus available on closed years	7,687	-	-	-	-	-	7,687
Balances available for outstanding claims	7,687	3,832	7,553	7,162	-	52,271	78,505
Outstanding claims	(8,304)	(3,539)	(4,425)	(8,841)	(7,988)	-	(33,097)
Reinsurance recoveries	617	101	302	603	-	-	1,623
	(7,687)	(3,438)	(4,123)	(8,238)	(7,988)	-	(31,474)
Surplus / (deficit) at 20 February 2022	-	394	3,430	(1,076)	(7,988)	52,271	47,031
Surplus / (deficit) at 20 February 2021	628	289	470	-	(5,447)	51,200	47,140

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 2022

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 2022.
- 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:

	2019/ 2020	2020/ 2021	2021/ 2022
General and administrative expenses	9,951	10,092	13,009

- 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:
2019/20 US\$ 1.2 million
2020/21 US\$ 1.3 million
2021/22 US\$ 1.2 million

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