

NOTES TO THE FINANCIAL STATEMENTS

20 February 2010

These group financial statements, which consolidate the financial statements of the Association and its wholly-owned subsidiary undertakings, have been prepared under the historical cost convention as modified to include investments at market value, in compliance with Part 3 of Schedule 6 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) under the Companies Act 2006 and in accordance with applicable accounting standards in the UK. The Regulations require the use of the term 'profit and loss account' as a heading. This is replaced in these financial statements by 'income and expenditure account', consistent with the mutual status of the Association. The individual balance sheet of the Association ('the parent undertaking') is prepared in accordance with the provisions of Section 394 of the Companies Act 2006 and Schedule 3 of SI 2008/410. The Association is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income and expenditure account and the related notes that would have formed part of the financial statements.

The financial statements comply with the Statement of Recommended Practice issued in December 2005 by the Association of British Insurers (as amended in 2006).

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are material to the consolidated financial statements.

Basis of accounting

The Association's business is accounted for on an annual basis. Separate accounts are maintained for each class of business written.

For the purpose of reporting to mutual Members, all transactions are allocated to individual policy years. Calls and premiums (including reinsurance premiums), claims and reinsurance recoveries are allocated to the policy year to which they relate. In the case of claims and reinsurance recoveries the appropriate year is decided by the date of the incident giving rise to the claim. All other income and expenditure items are allocated to the current policy year except investment returns which are allocated to policy years on the same basis as they are credited to the technical account – general business.

Rates of exchange

The Association uses the US dollar as its currency of account. Assets and liabilities denominated in other currencies are translated into US dollars at the rates ruling at the balance sheet date. Revenue transactions are translated at the actual rate applying at the date of transaction or, where this is not practicable, the average rate for the year.

Calls and premiums

Calls and premiums in respect of policies incepting prior to the balance sheet date are shown gross of acquisition costs and net of returns and bad and doubtful debts. They include deferred calls for which Members have been advised to budget, to the extent that the Directors expect them to be called within 12 months of the balance sheet date. Reinsurance premiums are accounted for in the same accounting period as the direct insurance premium or calls to which they relate.

Acquisition costs

Acquisition costs represent brokerage and commission charges relating to the writing of policies; underwriting management costs; renewal of existing Members' entries; negotiation with potential Members and the processing of entry documentation.

Claims paid

Claims paid comprise all claims and related expenses approved by the Committee and advances made on account of claims during the year. They include the Association's share of claims under the Pooling Agreement, together with internal management costs of handling and claims processing.

Reinsurance recoveries represent recoveries made and due in respect of claims paid by the Association in the year. They include amounts recoverable under the Pooling Agreement and market reinsurance contracts.

Claims outstanding

The provision for claims outstanding in the financial statements comprises the Managers' estimate of the ultimate outcome of all reported claims based on current information, plus their forecast of the ultimate cost of claims incurred but not reported (IBNR). The provision also includes an allowance for future claims handling costs.

The Association reserves individual reported claims within its retention on a 'highest reasonable likely outcome' basis, except in circumstances where there is insufficient information available to make a meaningful estimate. In such cases, a statistically derived reserve is applied, which is based on the development of similar notifications made in earlier years.

The IBNR provision for claims within the Association's retention is determined by the Managers based on standard actuarial projection techniques supported by stochastic modelling. The model uses historical information on claims development, adjusted for inflation and other variables, such as the number of ships entered with the Association, to project the ultimate cost of claims. The principal assumption underlying this approach is that past experience is a reliable basis for projecting the ultimate cost of claims in more recent years. The confidence levels selected for setting IBNR reserves reflect the Association's risk tolerance.

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1 Accounting policies (continued)

Provisions in respect of the Association's share of other Clubs' Pool claims are based on information and data supplied by the other parties to the Pooling Agreement, to which the Managers apply similar actuarial techniques and models to those described previously.

Provisions for all claims are based on information available at the balance sheet date. Significant delays are experienced in the notification of certain claims (sometimes of many years' duration), accordingly, the ultimate cost of claims cannot be known with certainty at the balance sheet date. Although the Managers take a conservative approach to setting the overall level of claims provision, it is possible that subsequent information and events may result in the ultimate liability varying from the amount provided. Any such differences between claims provisions and subsequent settlements are dealt with in the technical account – general business in later years.

Claims provisions are recognised gross of any reinsurance recoveries. The reinsurers' share of claims outstanding is derived from an estimation of the amounts that will be recoverable from reinsurers based on the gross provisions (including the IBNR provisions) and the structure of the Association's reinsurance programme, and having due regard to the possibility of default by reinsurers.

Investment return

The investment return recognised in the non-technical account comprises investment income (interest and dividends) realised gains and losses on investments sold in the year and movements in unrealised gains and losses arising in the year, net of investment management expenses.

Dividends are recognised from the date the shares are quoted 'ex-dividend' and include the related tax credits. Interest and expenses are recognised on an accruals basis. Realised gains and losses on investments are calculated as the difference between the net sales proceeds and the purchase price. The movement in unrealised gains and losses recognised in the income and expenditure account represents the difference between the valuation of investments at the balance sheet date and either their purchase price or their valuation at the commencement of the year, with an adjustment to reverse previously recognised unrealised gains or losses on investments disposed of in the current year. Realised and unrealised gains and losses include any related exchange gains or losses.

Allocation of investment return

An allocation is made from the non-technical account to the technical account – general business, in respect of the estimated longer-term investment return on the total portfolio, since the investments relate wholly to the technical provisions and Members' funds held for mutually insured risks.

Financial investments

Financial investments are shown at current market value at the balance sheet date. Listed investments are stated at bid value. Unlisted investments are valued by the directors on a prudent basis, having regard to their likely realisable value. Investments in group undertakings and participating interests in the Association's own balance sheet are stated at current value.

Deferred taxation

Full provision is made for tax deferred as a result of timing difference between the recognition of income or expenses in the financial statements and their treatment for tax purposes. Liabilities and assets are calculated on the basis of the tax rates at which these timing differences are estimated to reverse under current legislation.

	Consolidated		Class 3 P&I		Class 6 FD&D	
	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)
2 Calls and premiums						
Advance calls and premiums						
2009/10 policy year	220,812	–	212,943	–	7,869	–
2008/09 policy year	1,180	212,507	1,500	204,638	(320)	7,869
2007/08 policy year	197	(801)	179	(1,316)	18	515
Closed years	65	(1,060)	59	77	6	(1,137)
	222,254	210,646	214,681	203,399	7,573	7,247
Deferred calls						
2009/10 policy year	69,164	–	68,300	–	864	–
2008/09 policy year	(1,151)	64,753	(1,116)	63,944	(35)	809
Closed years	(662)	517	(662)	7	–	510
	67,351	65,270	66,522	63,951	829	1,319
Calls and premiums	289,605	275,916	281,203	267,350	8,402	8,566

	Consolidated		Class 3 P&I		Class 6 FD&D	
	2010 US\$(,000)	2009 US\$(,000)	2010 US\$(,000)	2009 US\$(,000)	2010 US\$(,000)	2009 US\$(,000)
3 Reinsurance premiums						
Group excess of loss	30,390	28,159	30,390	28,159	–	–
Other	53,178	53,310	52,724	52,762	454	548
Reinsurance premiums	83,568	81,469	83,114	80,921	454	548

The Association's reinsurance contract with Boudicca Insurance Company Limited (a Bermudian reinsurer) provides limited quota share cover together with aggregate excess of loss cover for policy year deficits that, in the absence of this reinsurance, would have become a charge on the general reserve.

In addition, the contract provides excess of loss reinsurance in respect of individual claims that exceed US\$3.0m within the Association's retention.

	2010 US\$(,000)	2009 US\$(,000)
Transactions with Boudicca during the year were as follows:		
Reinsurance premiums paid to Boudicca		
Quota share/aggregate	9,500	12,000
Excess of loss cover	22,000	20,000
	31,500	32,000
Claims recoverable from Boudicca		
Excess of loss cover	(8,029)	(16,674)
Quota share/aggregate	21,644	14,330
	13,615	(2,344)
Claims recoverable from Boudicca		
On paid claims	(32,285)	(23,144)
Decrease in provision for amounts recoverable	45,900	20,800
	13,615	(2,344)

As at 20 February the following amounts were recoverable from Boudicca:

	2010	2009
Debtors – reinsurance operations	25,136	8,614
Reinsurers' share of technical provisions	34,400	80,300
	59,536	88,914

At the balance sheet date surplus investment assets of Boudicca totalling US\$153.8m (2009 – US\$85m) were held to support future claims under the reinsurance contract, in a manner which ensures that they cannot be dissipated to the detriment of the Association.

	Consolidated		Class 3 P&I		Class 6 FD&D	
	2010 US\$(,000)	2009 US\$(,000)	2010 US\$(,000)	2009 US\$(,000)	2010 US\$(,000)	2009 US\$(,000)
4 Net claims paid						
Gross claims paid						
Members' claims	144,428	153,117	134,495	147,824	9,933	5,293
Other Clubs' Pool claims	39,190	32,126	39,190	32,126	–	–
	183,618	185,243	173,685	179,950	9,933	5,293
Recoveries on claims paid						
From the Group excess of loss reinsurance	2,111	801	2,111	801	–	–
From the Pool	2,609	7,912	2,609	7,912	–	–
Other reinsurers	25,912	28,181	25,912	28,181	–	–
	30,632	36,894	30,632	36,894	–	–
Net claims paid	152,986	148,349	143,053	143,056	9,933	5,293

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	Consolidated		Class 3 P&I		Class 6 FD&D	
	2010 US\$(,000)	2009 US\$(,000)	2010 US\$(,000)	2009 US\$(,000)	2010 US\$(,000)	2009 US\$(,000)
5 Change in net provision for claims						
Claims outstanding						
Members' claims	640,065	661,292	614,574	640,500	25,491	20,792
Other Clubs' Pool claims	188,400	181,500	188,400	181,500	–	–
	828,465	842,792	802,974	822,000	25,491	20,792
Reinsurers' share of claims outstanding						
From the Group excess of loss reinsurance	11,900	13,700	11,900	13,700	–	–
From the Pool	42,600	75,600	42,600	75,600	–	–
Other reinsurers	85,169	132,018	85,169	132,018	–	–
	139,669	221,318	139,669	221,318	–	–
Net claims outstanding carried forward	688,796	621,474	663,305	600,682	25,491	20,792
Net claims outstanding brought forward	621,474	580,143	600,682	566,716	20,792	13,427
Change in net provision for claims	67,322	41,331	62,623	33,966	4,699	7,365

The reinsurer's share of claims outstanding due to the Association from its subsidiary Universal Shipowners Marine Insurance Association Limited and its quasi-sub subsidiary Hydra Insurance Company Limited totalled US\$609,367,242.

6 Movement in prior years' claims provisions

Included within net claims incurred in the technical account are the following amounts in respect of adjustments to claims provisions for years ending prior to 20 February 2009.

Net provision at beginning of the year	621,474	580,143	600,682	566,716	20,792	13,427
Net payments in the year in respect of these provisions	(107,006)	(102,078)	(100,439)	(99,303)	(6,567)	(2,775)
Net provision at the end of the year in respect of claims provided for at the end of the previous year	(518,335)	(447,497)	(502,874)	(438,000)	(15,461)	(9,497)
(Under)/over provision in respect of prior years	(3,867)	30,568	(2,631)	29,413	(1,236)	1,155

7 Net operating expenses

Directors' fees	702	627	647	574	55	53
Auditors' remuneration	231	259	212	241	19	18
Other expenses	5,641	5,863	5,487	5,762	154	101
Administrative expenses	6,574	6,749	6,346	6,577	228	172
Acquisition expenses	18,956	18,130	18,171	17,628	785	502
Net operating expenses	25,530	24,879	24,517	24,205	1,013	674

The highest paid director received US\$109,900 (2009 – US\$96,750). The auditors were paid US\$28,090 for non-audit services; US\$15,700 – tax consultancy and US\$12,390 – general consultancy (2009 – US\$16,200; US\$10,010 – tax consultancy and US\$6,190 – general consultancy). The Association employs no staff, management services being provided by Tindall Riley (Britannia) Limited.

In accordance with the International Group Agreement 1999, the Association is required to disclose the average expense ratio for its P&I business for the past five years. The ratio measures all costs of the Association (except those directly related to the management of claims) as a function of call, premium and investment income for a five-year period. Britannia's average ratio for the five years to 20 February 2010 was 8.16% (2009 – 8.39%). The ratio has been calculated in accordance with the schedule and guidelines issued by the International Group.

	Consolidated		Class 3 P&I		Class 6 FD&D	
	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)
8 Net investment income						
Income from equity investments	4,198	5,717	4,022	5,477	176	240
Income from fixed income investments	14,261	13,949	13,651	13,317	610	632
Bank and other interest	835	3,505	804	3,391	31	114
Realised (loss)/gain on investments	(19,418)	80,727	(18,618)	77,277	(800)	3,450
Unrealised gain/(loss) on investments	69,129	(120,139)	66,205	(114,930)	2,924	(5,209)
Exchange gain/(loss) on cash balances	6,975	(1,510)	6,568	(1,503)	407	(7)
Investment income	75,980	(17,751)	72,632	(16,971)	3,348	(780)
Investment management expenses	(757)	(523)	(725)	(498)	(32)	(25)
Net investment income	75,223	(18,274)	71,907	(17,469)	3,316	(805)

Realised (loss)/gain on investments includes the (cost)/proceeds of the options entered into by the Association in, respectively, April 2009 and April 2008 to protect the value of the equity portfolio.

9 Longer-term investment return

Investment income is allocated to the general business technical account on the basis of longer-term rates of investment return. The longer-term rates are based on historical real rates of return and current inflation expectations adjusted for consensus economic and investment forecasts. The return is calculated by applying the rates to the investible assets held during the period for each major market on a monthly basis. The following rates have been used:

	Bonds		Equities	
	2010	2009	2010	2009
US	4.0%	4.5%	7.0%	7.0%
UK	4.5%	4.5%	7.0%	7.0%
Europe	4.0%	3.6%	7.0%	7.0%
Pacific Basin	4.5%	4.5%	7.0%	7.0%
Japan	1.0%	1.7%	5.0%	5.0%

Comparison of actual return achieved with the return allocated to the technical account using longer-term rates	10 years to February 2010	10 years to February 2009
	US\$(000)	US\$(000)
Actual return achieved	268,434	218,050
Longer-term return credited to the technical account	264,169	257,760
Excess/(shortfall) of actual returns over long-term returns	4,265	(39,710)

	Consolidated		Class 3 P&I		Class 6 FD&D	
	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)
10 Taxation						
Analysis of charge for period						
UK Corporation tax charge/(credit)	1,816	(86)	1,730	(86)	86	–
Unrelieved foreign withholding taxes	917	1,222	878	1,171	39	51
Deferred taxation	2,116	–	2,116	–	–	–
Taxation	4,849	1,136	4,724	1,085	125	51

By virtue of its mutual status, the Association is not liable to tax on its underwriting operations. The Association's investment income is subject to UK Corporation tax. The investment income of the Association's subsidiary Universal Shipowners Marine Insurance Association Limited is not subject to tax in Bermuda but does suffer irrecoverable withholding tax in certain jurisdictions. Deferred tax represents a reversal of a provision for tax recoverable against future investment income of the Association.

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10 Taxation (continued)	Consolidated		Class 3 P&I		Class 6 FD&D	
	2010 US\$(,000)	2009 US\$(,000)	2010 US\$(,000)	2009 US\$(,000)	2010 US\$(,000)	2009 US\$(,000)
Factors affecting the tax charge for period						
The tax charge for the period is higher than that produced by applying the standard rate of Corporation tax in the UK (28%). The differences are explained below:						
Net income/(deficit) before tax	35,422	(38,386)	39,803	(32,267)	(4,381)	(6,119)
Net income on ordinary activities multiplied by standard rate of Corporation tax in the UK of 28% (2009 – 28%)	9,917	(10,748)	11,144	(9,035)	(1,227)	(1,713)
Effects of:						
Non-taxable mutual underwriting operations	11,145	5,249	8,990	4,144	2,155	1,105
Non-taxable investment income	(19,246)	5,413	(18,404)	4,805	(842)	608
Current tax charge	1,816	(86)	1,730	(86)	86	–

11 Financial investments

Group						
Market value						
Quoted shares and other variable yield securities	166,312	110,793	159,327	106,140	6,985	4,653
Debt securities and other fixed income securities	443,256	350,545	423,950	336,374	19,306	14,171
Deposits with credit institutions	176,948	136,713	171,398	132,828	5,550	3,885
Unsettled investment transactions	(30,093)	87,913	(28,829)	84,221	(1,264)	3,692
	756,423	685,964	725,846	659,563	30,577	26,401

Cost

Quoted shares and other variable yield securities	156,475	154,772	149,903	148,272	6,572	6,500
Debt securities and other fixed income securities	438,713	361,703	419,598	347,068	19,115	14,635
Deposits with credit institutions	176,948	136,713	171,398	132,828	5,550	3,885
Unsettled investment transactions	(30,093)	87,913	(28,829)	84,221	(1,264)	3,692
	742,043	741,101	712,070	712,389	29,973	28,712

Included in investments at market value were:

Listed on the UK stock exchange	77,023	49,844	73,788	47,750	3,235	2,094
Listed on other investment exchanges	502,452	499,407	480,660	478,985	21,792	20,422
	579,475	549,251	554,448	526,735	25,027	22,516

Association

Market value						
Debt securities and other fixed income securities	88,264	59,476	83,954	57,529	4,310	1,947

Cost

Debt securities and other fixed income securities	83,812	58,095	79,690	56,162	4,122	1,933
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Included in the above were investments:

Listed on the UK stock exchange	–	–	–	–	–	–
Listed on other investment exchanges	88,264	59,476	83,954	57,529	4,310	1,947
	88,264	59,476	83,954	57,529	4,310	1,947

12 Investment in Group undertakings

	2010 US\$(,000)	2009 US\$(,000)
Shares in subsidiary companies	8,083	8,083

	Country of incorporation	Share held	Class of shares	Principal activity	Held
Universal Shipowners Marine Insurance Association Limited	Bermuda	100%	Ordinary	Reinsurance	Directly
Channel Shipowners Marine Indemnity Association Limited	Guernsey	100%	Ordinary	Dormant	Directly
Hydra Insurance Company Limited – Britannia Cell	Bermuda	100%	Ordinary/ Preferred	Reinsurance	Directly

12 Investment in Group undertakings (continued)

The Association's investment in its principal subsidiary Universal Shipowners Marine Insurance Association Limited is carried at an amount corresponding to its original cost since, in light of restrictions over the purposes to which the company's assets may be applied, the shares only have nominal value.

Hydra Insurance Company Limited is a Bermudian segregated cell-captive established by the International Group of P&I Club Members, to reinsure part of the risk which Clubs that are party to the Pooling Agreement previously reinsured in the market. Under the terms of the company's byelaws and the governing instrument, assets are segregated in separate cells in such a way that they can only be used to satisfy the liabilities of the 'owning' Club. As at 20 February 2010, the Association's investment in Hydra comprised 20,000 ordinary shares at par in the company and preferred shares and contributed surplus in the Britannia cell of Hydra amounting to US\$7.9m.

The following table summarises the financial statements of Britannia's Hydra cell for the year ended 20 February 2010

	2010 US\$(000)	2009 US\$(000)
Net premiums	13,424	12,255
Net claims	(18,362)	(6,250)
Investment income (net of expenses of management)	34	901
(Deficit)/surplus for the year	(4,904)	6,906
Deposits with credit institutions	42,737	44,212
Reinsurers' share of technical provisions	13,955	6,818
Other assets	714	(18)
Technical provisions	(47,796)	(36,498)
Shareholders' equity	9,610	14,514

13 Risk arising from financial assets	Consolidated		Class 3 P&I		Class 6 FD&D	
	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)

Credit risk

Financial assets bearing credit risk are shown below

Debt securities	443,256	350,545	423,951	336,374	19,305	14,171
Reinsurers' share of technical provisions	139,669	221,318	139,669	221,318	-	-
Reinsurance debtors	29,067	12,494	29,067	12,494	-	-
Other debtors	97,167	82,967	94,755	80,601	2,412	2,366
Unsettled investment transactions	(30,093)	87,913	(28,829)	84,221	(1,264)	3,692
Deposits with credit institutions	176,948	136,713	171,398	132,828	5,550	3,885
Cash at bank and in hand	53,718	53,221	52,559	52,045	1,159	1,176
Total financial assets bearing credit risk	909,732	945,171	882,570	919,881	27,162	25,290

An analysis of this exposure by credit rating is shown below

AAA	294,611	247,103	280,381	245,156	14,230	1,947
AA	241,224	441,776	236,409	422,379	4,815	19,397
AA-	10,201	-	9,042	-	1,159	-
A+	35,816	11,556	34,609	11,556	1,207	-
A	72,786	37,777	72,429	36,674	357	1,103
A-	35,292	71,502	34,621	71,502	671	-
BBB+ and below	46,816	38,224	45,123	38,224	1,693	-
No rating	172,986	97,233	169,956	94,390	3,030	2,843
Total financial assets bearing credit risk	909,732	945,171	882,570	919,881	27,162	25,290

The unrated exposure relates principally to amounts due from Members in respect of deferred calls not yet debited and amounts recoverable from Boudicca Insurance Company Limited.

Collateral in the form of designated reserves (see note 20) is available to the Association against credit risk arising from amounts owed by other members of the International Group of P&I Clubs. At 20 February, this exposure amounted to US\$42.6m (2009 – US\$75.6m) and is secured by letters of credit from financial institutions having a minimum credit rating of A-. The Association did not hold assets that were past due or impaired.

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13 Risk arising from financial assets (continued)

	Total Consolidated US\$(000)	Less than 6 months or on demand Consolidated US\$(000)	Greater than 6 months Consolidated US\$(000)
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Liquidity risk

An analysis of the contractual maturity of the Group's financial liabilities is shown below

At 20 February 2010

Direct insurance operations – Members	9,240	9,240	–
Reinsurance operations	17,467	14,726	2,741
Taxation	937	937	–
Other creditors	7,212	7,212	–
Creditors	34,856	32,115	2,741

At 20 February 2009

Direct insurance operations – Members	6,213	6,213	–
Reinsurance operations	8,843	7,289	1,554
Taxation	64	64	–
Other creditors	13,005	13,005	–
Creditors	28,125	26,571	1,554

	Consolidated		Class 3 P&I		Class 6 FD&D	
	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)
14 Debtors – direct insurance operations						
Group and Association						
Calls and premiums due from Members	3,477	2,879	1,948	1,351	1,529	1,528
Deferred call advised to Members	88,207	77,109	87,353	76,300	854	809
Debtors – direct insurance operations	91,684	79,988	89,301	77,651	2,383	2,337

The deferred call (Class 3 – P&I) represents the estimated amount (net of brokerage) to be charged to Members in October 2010 following the Committee's decision to make a 40% deferred call in respect of the 2008/09 policy year, of which 15% would not be collected for 12 months, and the 40% call in respect of the 2009/10 policy year for which Members have been advised to budget.

The figure for the prior year is the final 10% deferred call in respect of the 2007/08 policy year, which was charged to Members in October 2009, and a 40% deferred call in respect of the 2008/09 policy year, 25% of which was charged to members in October 2009 and the remainder of which will be charged in October 2010.

The deferred call (Class 6 – FD&D) represents the estimated amount (net of brokerage) for which members have been advised to budget 20% in respect of the 2009/10 policy year (2008/09 – 20%).

	Consolidated		Class 3 P&I		Class 6 FD&D	
	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)
15 Debtors – reinsurance operations						
Reinsurance recoveries						
Amounts recoverable from the Pool	421	1,368	421	1,368	–	–
Other	28,646	11,126	28,646	11,126	–	–
Debtors – reinsurance operations – Group	29,067	12,494	29,067	12,494	–	–
Due from Hydra Insurance Company Limited	4,880	4,901	4,880	4,901	–	–
Debtors – reinsurance operations – Association	33,947	17,395	33,947	17,395	–	–

16 Other debtors

Other – Association	5,455	519	5,431	490	24	29
Other – subsidiary	28	–	23	–	5	–
Other debtors – Group	5,483	519	5,454	490	29	29

	Consolidated		Class 3 P&I		Class 6 FD&D	
	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)	2010 US\$(000)	2009 US\$(000)
17 Creditors – reinsurance operations						
Group and Association						
Amounts due to the Pool	933	763	933	763	–	–
Other	16,534	8,080	16,531	8,005	3	75
Creditors – reinsurance operations	17,467	8,843	17,464	8,768	3	75

18 Other creditors

Subsidiaries	419	11,290	403	10,816	16	474
Other – Association	6,793	1,715	1,440	1,714	5,353	1
Other creditors – Group	7,212	13,005	1,843	12,530	5,369	475

	Consolidated			Class 3 P&I			Class 6 FD&D		
	Investment reserve US\$(000)	General reserve US\$(000)	Income and expenditure account US\$(000)	Investment reserve US\$(000)	General reserve US\$(000)	Income and expenditure account US\$(000)	Investment reserve US\$(000)	General reserve US\$(000)	Income and expenditure account US\$(000)
19 Capital and reserves									
Balance at 20 February 2008	122,223	20,000	88,819	114,987	16,629	85,152	7,236	3,371	3,667
(Deficit) for the financial year	–	–	(39,522)	–	–	(33,352)	–	–	(6,170)
Transfer to investment reserve	(50,956)	–	50,956	(48,652)	–	48,652	(2,304)	–	2,304
Transfer to general reserve	–	(1,000)	1,000	–	–	–	–	(1,000)	1,000
Balance at 20 February 2009	71,267	19,000	101,253	66,335	16,629	100,452	4,932	2,371	801
Surplus for the financial year	–	–	30,573	–	–	35,079	–	–	(4,506)
Transfer from investment reserve	40,307	–	(40,307)	38,272	–	(38,272)	2,035	–	(2,035)
Balance at 20 February 2010	111,574	19,000	91,519	104,607	16,629	97,259	6,967	2,371	(5,740)

The Association is incorporated and registered in Great Britain as a company limited by guarantee and does not therefore have a share capital.

The investment reserve comprises the cumulative net transfers from the income and expenditure account. Annual transfers equivalent to the net unallocated return/(deficit) on the Association's investments are made to or from this reserve.

The general reserve – Class 3 was established in accordance with Rule 39(1) of the Association to provide for any claims, expenses, losses or other outgoings of the Association (including any deficiency in respect of any closed policy year), or to eliminate or reduce any call in respect of any policy year.

20 Designated reserves

All members of the International Group of P&I Clubs have entered into arrangements (under an agreement dated 21 May 1996) whereby each Club has provided security in favour of The Bermuda Trust Company. The security can only be drawn upon in the event that a Club fails to meet a call upon it in relation to its obligations under the Pooling Agreement. The Association has furnished a letter of credit in the amount of US\$24.7m (2009 – US\$24.9m) issued by a major financial institution as security for its participation in the agreement. The guarantee is secured on the Association's assets.

21 Related party transactions

The Committee, comprising up to 26 representatives of the Membership of the Association, two independent directors and two Manager nominees, is elected to oversee the management of the Association on behalf of the Members. The members of the Committee are directors of the Association and as such are related parties as defined by FRS 8 – Related Party Disclosures. However, because of the mutual nature of the Association all Members, being both insured and insurers, are in effect related parties. The aggregate of transactions with Members is disclosed in these financial statements and, in the opinion of the directors, there are no individual transactions or connected transactions with Members, directors or their companies the disclosure of which is necessary for an understanding of the financial statements.

Tindall Riley Marine Limited, which manages the Association through its subsidiary Tindall Riley (Britannia) Limited, earned management fees of US\$25.0m (2009 – US\$27.2m) for the year. Three directors of the Association are also directors of Tindall Riley (Britannia) Limited.