

**International Transport
Intermediaries Club Limited**

**Directors' Report
& Financial Statements
for the year ended 31st May, 2010**

Registered Number 2725312

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International Transport Intermediaries Club Limited

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International Transport Intermediaries Club Limited

Notice of Meeting

Notice is hereby given that the sixteenth Annual General Meeting of the Members of the Club will be held at The Swissotel, The Bosphorus, Istanbul, Turkey at 1 00pm on Thursday, 30th September, 2010 for the following purposes

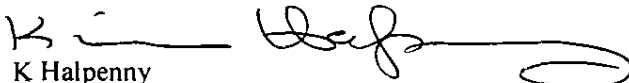
To receive the Directors' Report with Financial Statements for the year ended 31st May, 2010 and, if they are approved, to adopt them

To elect Directors

To confirm the appointment of Auditors and to authorise the Directors to agree their remuneration

To transact any other business of an Annual General Meeting

By Order of the Board


K Halpenny
Secretary

15th July, 2010

- Notes
- i) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A person so appointed must be a Member of the Club. The instrument appointing a proxy must be deposited with the Secretary not less than forty-eight hours before the meeting.
 - ii) The agenda papers for the Annual General Meeting setting out the resolutions and containing the minutes of the last Annual General Meeting will be sent to the Members prior to the meeting.

International Transport Intermediaries Club Limited

Directors

Company and Location

Chairman

H Gilbert

Wallem Limited
London

E F Davila

Martima Davila Madrid S A
Madrid

C Dohle

Paul Gunther Schiffsmakler GmbH &
Co KG
Hamburg

R J Flynn

MJLF & Associates, Inc
Connecticut

P D French

British Marine Technology Ltd
London

G R Frith

Container Ship Management Ltd
Bermuda

D Fry

Columbia Ship Management Ltd
Limassol

S Jones

General Steamship Agencies Inc
San Francisco

F A Kanoo

Yusuf Bin Ahmed Kanoo W L L
Bahrain

A R W Marsh

Braemar Seascopes Limited
London

L Safverstrom

Gulf Agency Company Ltd
Dubai

Continued on next page

International Transport Intermediaries Club Limited

Directors cont.

U Salerno

Company and Location

RINA Spa
Genoa

T Sit

Jardine Shipping Services
Hong Kong

B Tonsberg

Wilhelmsen Maritime Services AS
Singapore

Secretary

K Halpenny

Registered Office and Business Address

90 Fenchurch Street
London
EC3M 4ST

Telephone (+44) 020 7338 0150
Fax (+44) 020 7338 0151

International Transport Intermediaries Club Limited

Directors' Report

The Directors have pleasure in presenting their Report and the Financial Statements of the Club for the year ended 31st May, 2010

Principal Activities

The principal activity of the Club during the year was the insurance of Professional Indemnity and Public Liability Risks of professionals in the Transport Industry

Future Development

The Directors expect that the present level of activity will continue for the foreseeable future

Reinsurance Relationship with TIM

ITIC reinsures with Transport Intermediaries Mutual Insurance Association Limited (TIM), Bermuda on a 90% quota share basis both its liabilities from 1st September, 1992 and its liabilities assumed under the agreement to run-off Transport Intermediaries Mutual Insurance Association Limited and the Chartered and International Shipbrokers P&I Club Limited (CISBA)

Directors

The names of the present Directors, all of whom have held office during the year, are shown on Pages 2 and 3

In the case of each of the persons who are Directors at the time this report is approved, the following applies

- (a) So far as the Directors are aware, there is no relevant audit information of which the Club's auditors are unaware, and
- (b) They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Club's auditors are aware of that information

Mr I Jarrett resigned as Company Secretary on 31 December 2009. The Board wish to thank him for his contribution to the affairs of the Club. Mr K Halpenny has been appointed as Company Secretary from 31 December 2009.

Membership

The number of Members entered in the Club on 31st May, 2010 was 1,874, of which 503 carry on, as their principal activity, the business of ship agency, 399 shipbroking, 234 ship management, 416 naval architect, marine surveying and consultants and 322 represent other professionals in the transport industry. Some Members carry on more than one of these activities and many Members are insured jointly with their subsidiary or related companies.

The membership is drawn from 90 countries the majority being from Europe, with a substantial number of Members from North America, Australasia, the Far East and the Middle East.

International Transport Intermediaries Club Limited

Directors' Report contd.

Summary of the financial year

(i) Calls and Premiums

The Club's gross premium income for the year under review, including the change in the provision for unearned premiums, was US\$48,211,000 (2009 US\$47,254,000)

(ii) Investments

The total deposited at banks and invested in bonds and other fixed interest securities amounted to US\$30,204,000 (2009 US\$27,200,000)

(iii) Claims

Claims paid net of reinsurance recoveries during the year under review amounted to US\$3,220,000 (2009 US\$3,689,000)

(iv) General Expenses

General Expenses for the year were US\$1,321,000 (2009 US\$1,339,000), an analysis of which is shown in Note 14 on page 21

(v) Reinsurance

The reinsurance cost of US\$35,324,000 comprises the cost of the Club's excess loss reinsurance of US\$6,739,000 and the cost of the Club's quota share reinsurance of US\$28,585,000. The Club's excess loss reinsurance cost includes the cost of the underlying contract, the cost of the reinsurance in respect of limits of cover in excess of those provided by the Club and also the cost of a contract which protects the aggregate of claims within the Club's retention.

The aggregate of claims within the Club's retention is reinsured on a 90% quota share basis by Transport Intermediaries Mutual Insurance Association Ltd of Hamilton, Bermuda.

(vi) Reserves

The balance sheet shows US\$17,541,000 (2009 US\$15,764,000) as reserves. An analysis of this figure is shown in the Appendix to the Directors' Report on page 7.

(vii) Surplus for the Year

The surplus for the year before tax was US\$2,627,000 (2009 US\$844,000)

Risk Management

The Club has risk management procedures in place which address the five risk areas laid out in the Financial Services Authority's Handbook. These are credit risk, market risk, liquidity risk, operational risk and insurance risk. The Club has developed a risk log which defines the risks and sets out the procedures that are in place to mitigate those risks. The risk log is reviewed regularly by the Board.

International Transport Intermediaries Club Limited

Directors' Report contd.

Meetings of the Directors

The Board met on 16th July, 2009, 24th September, 2009 and 26th March, 2010 in order to carry out its general and specific responsibilities under the Memorandum of Association and Rules of the Club. The number of Directors present at these meetings were 4, 11 and 11 respectively.

The Directors considered the following topics at their meetings:

Claims	Report and Financial Statements
Rule Changes	Directors' Fees
Closure of the 2008 Policy Year	Marketing
Reinsurance Cover	Premium Levels
Investment of the Club's Funds	Regulatory Affairs
Directors' and Officers' Liability Insurance Cover	Risk Assessment and Management
Tax	Agreement
Financial Report	

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Club will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Club's transactions and disclose with reasonable accuracy at any time the financial position of the Club and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Club and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

H Gilbert
Chairman

A S Munro
Managers

15th July, 2010



International Transport Intermediaries Club Limited

Appendix to the Directors' Report

Analysis of Funds in Open Policy Years and Reserves as at 31st May, 2010

	Notes (below)	2009 Policy Year US\$000s	General Reserve US\$000s	Total US\$000s
Calls and premiums	1	43,191		
Less				
Underwriting costs	2	<u>39,655</u>		
	A	3,536		
Investment result	B	<u>729</u>		
	A+B=C	4,265	23,433	27,698
Known outstanding claims and IBNER				
Less reinsurance recoveries	3	<u>1,488</u>	<u>2,260</u>	<u>3,748</u>
Anticipated surplus	C-D=E	2,777	21,173	23,950
Continuity credit	F			6,185
Future claims handling fees	G			<u>224</u>
Reserves	E-F-G=H			<u>17,541</u>

Notes

- 1 Calls and Premiums are net of brokerage and commissions
- 2 Underwriting costs include claims paid less reinsurance recoveries, reinsurance premiums payable, ceding commission, management fee, general expenses and exchange gains and losses
- 3 IBNER is a provision for the deterioration in known estimates on claims relating to incidents which have been notified before the end of the accounting period
- 4 At their meeting in March 2010, the Directors decided to close the Club's 2008 policy year leaving only the 2009 policy year open

International Transport Intermediaries Club Limited

REPORT OF THE INDEPENDENT AUDITORS

Independent Auditors' Report to the Members of International Transport Intermediaries Club Ltd

We have audited the financial statements of International Transport Intermediaries Club Ltd for the year ended 31 May 2010 which are set out on pages 10 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 - 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

International Transport Intermediaries Club Limited

Independent Auditors' Report to the Members of International Transport Intermediaries Club Ltd

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2010 and of its surplus for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records or returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Michael Butler (Senior Statutory Auditor)
for and on behalf of Moore Stephens LLP

~~24th July 2010~~

5th AUGUST 2010

150 Aldersgate Street
London
EC1A 4AB

International Transport Intermediaries Club Limited

INCOME AND EXPENDITURE ACCOUNT for the year ended 31st May, 2010

	Notes	2010 US\$ 000s	2009 US\$ 000s
TECHNICAL ACCOUNT			
Earned premiums, net of reinsurance			
Gross premiums written	2, 28	55,192	39,361
Outward reinsurance premiums	2, 3	(35,324)	(21,071)
Net premiums written		19,868	18,290
Change in gross provision for unearned premiums	4, 28	(6,981)	7,893
Reinsurers' share	5	6,282	(7,104)
		(699)	789
Earned premiums net of reinsurance		19,169	19,079
Claims incurred net of reinsurance			
Claims paid			
Gross amount	6	(16,270)	(18,291)
Reinsurers' share	7	12,854	14,602
		(3,416)	(3,689)
Change in the provision for claims			
Gross amount	8	(4,990)	2,324
Reinsurers' share	9	4,414	(2,369)
		(576)	(45)
Claims incurred net of reinsurance		(3,992)	(3,734)
Net operating expenses	10	(11,776)	(12,059)
Balance on the general business Technical Account		3,401	3,286
NON-TECHNICAL ACCOUNT			
Balance on the general business Technical Account		3,401	3,286
Investment Income	16	142	24
Unrealised gains / (losses) on investments		562	(1,282)
Other income – exchange (losses)	17	(1,478)	(1,184)
Surplus on ordinary activities before tax		2,627	844
Tax on ordinary activities	18	(216)	361
Surplus on ordinary activities after tax		2,411	1,205
Surplus at 31 st May, 2009		15,764	15,496
Continuity Credit		(634)	(937)
Surplus at 31 st May, 2010		17,541	15,764

All recognised gains and losses arising in the year have been dealt with within the Income and Expenditure account

All the above transactions relate to continuing activities The Notes on pages 14 to 26 form an integral part of these financial statements

International Transport Intermediaries Club Limited

BALANCE SHEET as at 31 st May, 2010	Notes	2010 US\$ 000s	2009 US\$ 000s
ASSETS			
Investments			
Other financial investments	2, 19, 20, 21	25,696	24,157
Reinsurers' share of technical provisions			
Unearned premium reserve	5	32,306	26,024
Claims outstanding	27	47,701	43,287
		80,007	69,311
Debtors			
Arising out of direct insurance operations	22	24,534	18,029
Other debtors	23	180	119
Deferred Tax Asset	18	38	255
		24,752	18,403
Other Assets			
Cash at bank	20, 21	4,508	3,043
Prepayments and accrued income			
Accrued interest		111	119
Deferred acquisition costs		3,658	3,035
Prepayments		1,303	2,023
		5,072	5,177
TOTAL ASSETS		<u>140,035</u>	<u>120,091</u>
LIABILITIES			
Reserves			
Income and Expenditure Account		17,541	15,764
Technical provisions			
Provision for unearned premiums		35,896	28,915
Claims outstanding – gross amount	27	51,674	46,684
		87,570	75,599
Creditors			
Arising out of direct insurance operations	24	1,624	1,782
Arising out of reinsurance operations		29,014	23,292
Other creditors including taxation and social security	25	561	198
		31,199	25,272
Accruals	26	3,725	3,456
TOTAL LIABILITIES		<u>140,035</u>	<u>120,091</u>

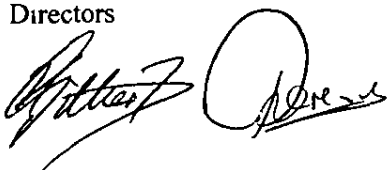
The notes on pages 14 to 26 form an integral part of these financial statements

The financial statements on pages 10 to 26 were approved by the Directors on 15th July, 2010

H Gilbert
Directors

P D French

A S Munro
Managers




International Transport Intermediaries Club Limited

CASH FLOW STATEMENT for the year ended 31st May, 2010

Reconciliation of balance on the general business Technical account to net cash inflow from operating activities

	Notes	2010 US\$ 000s	2009 US\$ 000s
Balance on the general business technical Account		3,401	3,286
(Increase) / decrease in debtors		(6,469)	6,722
(Decrease) / increase in creditors		6,190	(6,886)
(Decrease) / increase in net Technical Provisions		1,275	(744)
Net cash inflow from operating activities		<u>4,397</u>	<u>2,378</u>
Cash flow statement			
Net cash inflow from operating activities		4,397	2,378
Returns on investments & servicing of finance	30	(1,328)	(1,213)
Taxation		6	(30)
Financing	30	<u>(633)</u>	<u>(937)</u>
Movement arising from cash flow		<u>2,442</u>	<u>198</u>
Cash flows were invested as follows			
Increase / (decrease) in cash at bank	31	1,465	(1,663)
Net portfolio investment / (disinvestments)			
Fixed income securities	31	2,585	7,172
UCITS – cash	31	<u>(1,608)</u>	<u>(5,311)</u>
Net investment and cashflows		<u>2,442</u>	<u>198</u>

International Transport Intermediaries Club Limited

CASH FLOW STATEMENT

for the year ended 31st May, 2010 (continued)

Movement in opening and closing portfolio investments net of financing

	Note	2010 US\$ 000s	2009 US\$ 000s
Net cash inflow in year		1,465	(1,663)
Cash flow			
Cash at bank and portfolio investments		977	1,861
		<hr/>	<hr/>
Movement arising from cash flow		2,442	198
Changes in market value		562	(1,282)
Total movement in portfolio investment net of financing		3,004	(1,084)
Cash at bank and portfolio investments net of financing at 1 st June, 2009		27,200	28,284
Cash at bank and portfolio investments net of financing at 31 st May, 2010	31	<u>30,204</u>	<u>27,200</u>

International Transport Intermediaries Club Limited

NOTES TO THE FINANCIAL STATEMENTS

Note 1

Constitution

The Club is incorporated in England and Wales under the Companies Act 2006 as a company limited by guarantee and not having a share capital

In the event of the Club's liquidation the net assets of the Club are to be distributed among the current Members in proportion to the amounts of calls payable by them during the preceding three years

Note 2

Accounting Policies

(a) Accounting Convention

These Financial Statements have been prepared under the historical cost convention as modified to include investments at market value, in compliance with schedule 3 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2009 (SI2009/410) of the Companies Act 2006 and in accordance with applicable accounting standards in the U K and with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006) The Statutory "Profit and Loss Account" is replaced by "Income and Expenditure Account" throughout these Financial Statements consistent with the Mutual status of the Club The particular accounting policies adopted are described below

(b) Policy Year Accounting

The Club's business is accounted for on an annual basis For reporting to the Members, calls and premiums together with reinsurance premiums, are allocated to the policy years in which they incept Claims and related reinsurance recoveries are allocated to the policy year in which the claim is first notified General expenses and management fees are allocated to the current policy year The Income and Expenditure account represents the aggregate of changes during the financial year on all policy years

A policy year is usually closed during the second or third year from inception during which time Members are liable for their rateable proportion of any deficiency resulting from an excess of claims and expenses over income The Directors are empowered to return all or part of any surplus to the Members

(c) Non-US Dollar Currencies

Revenue transactions are translated into US dollars at applicable rates throughout the year Assets and liabilities have been translated at the closing US dollar exchange rate The resulting difference is included within exchange gains/losses Provisions are made for any movement in the value of investments Differences between closing exchange rates and the rates applying to outstanding forward currency contracts are also recognised All exchange gains/losses have been included in the income or expenditure for the year

International Transport Intermediaries Club Limited

NOTES TO THE FINANCIAL STATEMENTS contd.

(d) Calls and Premiums

All premiums are accounted for on an annual basis. Gross premiums written are the total receivable for contracts entered into during the accounting period together with any premium adjustments relating to prior periods. All premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

(e) Unearned premiums provision

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of risk. The provision for unearned premiums is calculated on a daily pro-rata basis.

(f) Deferred Acquisition Costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the Balance Sheet date.

(g) Claims

Claims are accounted for on a notification basis.

Balance sheet

The claims provision in the balance sheet comprises

- i) Estimated claims as at the balance sheet date on notified claims outstanding in all policy years
- ii) Additional provision to allow for adverse developments on estimated claims including those claims where no estimate is currently thought to be required
- iii) Provision for the Managers' future claims handling costs

Income and expenditure account

The figure for claims incurred in the Income and Expenditure Account comprises claims and costs paid during the year, the claims handling costs of the Managers and the movement in the claims provision since the last balance sheet date.

(h) Reinsurance Recoveries

The liabilities of the Club are reinsured above certain levels. Claims within the Club's retention are reinsured on a 90 per cent quota share basis. The figure credited to the Income and Expenditure Account for reinsurance recoveries represents receipts and amounts due under these arrangements on claims already incurred.

International Transport Intermediaries Club Limited

NOTES TO THE FINANCIAL STATEMENTS contd.

(i) Outward reinsurance Premiums

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inward reinsurance business being reinsured

(j) Investments

Balance Sheet

Investments are shown in the Balance Sheet at Market Value. Market Value is calculated using the Middle Market Price at the close of business on the date of the Balance Sheet. The cost of these investments is disclosed by way of a Note.

Investments purchased in foreign currencies are translated into US dollars on the date of purchase.

Non-Technical Account

The unrealised gains and losses on the movement in the Market Value of investments are shown in the Non-Technical Account.

The Club recognises the acquisition or disposal of investments when they have entered into a legally binding obligation.

(k) Taxation

By virtue of its mutual status the Club is not liable to tax on its underwriting operations. The Club's investment income and gains are subject to UK Corporation Tax.

International Transport Intermediaries Club Limited

NOTES TO THE FINANCIAL STATEMENTS contd.

Note 3

Outward Reinsurance Premiums	2010	2009
	US\$	US\$
	000s	000s
Excess of loss and Members' facultative reinsurance premium	6,739	5,712
Quota share premium to TIM	<u>39,027</u>	<u>25,892</u>
	45,766	31,604
Less ceding commissions from TIM current year	(9,823)	(9,904)
Adjustment in respect of prior years	(55)	10
Provision for adjustment of ceding commission on closure of the 2009 policy year	<u>(564)</u>	<u>(639)</u>
	<u>35,324</u>	<u>21,071</u>

Note 4

Unearned Premium

Unearned premium is that part of gross premiums written which is estimated to be earned in the following or subsequent financial years. The income and expenditure account shows the change in the provision for unearned premium and comprises the following:

	2010	2009
	US\$	US\$
	000s	000s
Unearned premium provision brought forward	28,915	36,808
Unearned premium provision carried forward	<u>35,896</u>	<u>28,915</u>
Movement in year	<u>(6,981)</u>	<u>7,893</u>

Note 5

Reinsurers' Share of Unearned Premium

	2010	2009
	US\$	US\$
	000s	000s
Reinsurers' share brought forward	26,024	33,128
Reinsurers' share carried forward	<u>32,306</u>	<u>26,024</u>
Movement in year	<u>6,282</u>	<u>(7,104)</u>

International Transport Intermediaries Club Limited

NOTES TO THE FINANCIAL STATEMENTS contd.

Note 6

Gross Claims Paid	Notes	2010 US\$ 000s	2009 US\$ 000s
Claims paid		13,938	15,772
Claims handling fees	11	<u>2,332</u>	<u>2,519</u>
		<u>16,270</u>	<u>18,291</u>

Note 7

Reinsurers' Share of Claims Paid	2010 US\$ 000s	2009 US\$ 000s
Excess loss recoveries	3,095	4,072
Quota share recoveries from TIM	<u>9,759</u>	<u>10,530</u>
	<u>12,854</u>	<u>14,602</u>

Note 8

Gross Change in Provision for Claims	2010 US\$ 000s	2009 US\$ 000s
Gross claims provision brought forward	46,684	49,008
Gross claims provision carried forward	<u>51,674</u>	<u>46,684</u>
Decrease/(increase) gross provision for claims	<u>(4,990)</u>	<u>2,324</u>

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular case and the ultimate cost of notified claims. The estimates for known outstanding claims are based on the best estimates and judgement of the Managers of the final cost of individual cases. These estimates are as reliable as possible given the details of the cases and taking into account all the current information. However, the final outcome of individual cases may prove to be significantly different to the estimates made at the balance sheet date. The estimates are reviewed regularly. The gross provision for claims includes allowances for adverse development and the Managers' future claims handling costs.

A reasonable allowance has been made for adverse claims development in the future. The allowance is assessed by an actuary using standard actuarial techniques. This methodology projects the claims statistics forward based on the historical pattern of claims experience of ITIC in the past.

The movement in the gross provision for claims is the difference between the provision for outstanding claims on all policy years at the beginning of the year and the equivalent provision at the end of the year, after deduction of all claims paid during the financial year and addition of the allowance for new claims notified in the 2009/2010 policy year.

International Transport Intermediaries Club Limited

NOTES TO THE FINANCIAL STATEMENTS contd.

Note 8 contd.

The gross claims incurred for the year reflects an improvement of US\$302,000 (2009 improvement US\$555,000) in respect of claims for all years prior to the 2009 policy year

Note 9

Reinsurers' Share	2010 US\$ 000s	2009 US\$ 000s
Reinsurers' share brought forward	43,287	45,656
Reinsurers' share carried forward	<u>47,701</u>	<u>43,287</u>
Increase / (decrease) in reinsurers' share of technical provisions	<u>4,414</u>	<u>(2,369)</u>

The reinsurers' share represents the provision for that part of the gross claims provision which is recoverable from reinsurers and is based on estimated recoveries against estimated claims and cost provisions

Note 10

Net Operating Expenses	Notes	2010 US\$ 000s	2009 US\$ 000s
Management fees	11	3,621	3,911
Acquisition costs	12	6,644	6,635
Directors' fees	13	135	119
General expenses	14	1,321	1,339
Audit fees - Current year	15	47	47
- Under provision prior year		8	8
		<u>11,776</u>	<u>12,059</u>

Note 11

Management Fees

The fee paid to the Managers relates to the cost of providing offices, staff and administration in London. The basis of this remuneration is fixed by the Directors and is subject to periodic review.

The fees for the 2009/10 year (2008/9 same) are based on three elements

- The cost based element which covers the Manager's costs in Sterling
- The operating incentive fee which is calculated at 3.375% of gross premium income
- The investment incentive fee which is calculated at 0.100% of average funds under management

This formula provides a fee for the 2009/10 year of US\$ 7,578,000 and is allocated in the Technical Account between Management fee, Acquisition costs and Claims handling fees (see Note 6 on page 18 and Note 12 on page 20) as follows

International Transport Intermediaries Club Limited

NOTES TO THE FINANCIAL STATEMENTS contd.

Note 11 contd.

	2010	2009
	US\$	US\$
Management fee	3,621,000	3,911,000
Acquisition costs (see Note 12)	1,625,000	1,756,000
Claims handling fees (see Note 6)	2,332,000	2,518,000
	<u>7,578,000</u>	<u>8,185,000</u>

Note 12

Acquisition Costs

Acquisition costs comprise brokerage of US\$5,018,000 (2009 US\$4,879,000) and an allocation of management fee in the amount of US\$1,625,000 (2009 US\$1,756,000)

Note 13

Directors' Fees

The Directors are paid an annual fee and a fee for each meeting attended, as follows, as authorised under the Bye-Laws

	<u>Annual Fee £</u>	<u>Attendance Fee £</u>
Chairman	10,000	2,400
Directors	2,000	2,400

No loans have been made to the Directors and none is contemplated

International Transport Intermediaries Club Limited

NOTES TO THE FINANCIAL STATEMENTS contd.

Note 14

General Expenses	2010	2009
	US\$	US\$
	000s	000s
Marketing and servicing	280	546
Directors' meetings	237	197
Seminar/conference attendance	23	7
Printing and design	72	105
Advertising	96	43
Postage, telephone and telex	37	37
Subscriptions	19	23
Legal fees	216	178
FSA Insurance fees	145	84
Sundry expenses	79	81
Fees paid to Auditors for non-audit services	-	-
Compliance costs	117	38
	<u>1,321</u>	<u>1,339</u>

The Club has no employees

Note 15

Audit Fees

A provision of US\$44,000 (2009 US\$47,000) has been made for the audit fee

Note 16

Investment Income	2010	2009
	US\$	US\$
	000s	000s
Interest on bank deposits and bonds	190	207
Realised (losses) on disposals	(48)	(183)
	<u>142</u>	<u>24</u>

Note 17

Other Income	2010	2009
	US\$	US\$
	000s	000s
Exchange gains/(losses) - investing activities	(123)	223
Exchange (losses)/gains - operating activities	(1,355)	(1,407)
	<u>(1,478)</u>	<u>(1,184)</u>

International Transport Intermediaries Club Limited

NOTES TO THE FINANCIAL STATEMENTS contd.

Note 18

Taxation	2010	2009
	US\$	US\$
	000s	000s
The tax (credit)/charge in the income and expenditure account is made up as follows		
Current year tax (credit) / charge	-	(67)
Deferred tax movement	197	(254)
Exchange difference on deferred tax	19	-
Over provision in respect of prior years	-	(39)
	<u>216</u>	<u>(361)</u>

Surplus on ordinary activities before tax	<u>2,628</u>	<u>844</u>
Surplus on ordinary activities before tax at 28% (2009 30%)	736	236
Effect of		
Non-taxable Mutual operations	(953)	(920)
Non-taxable exchange losses	414	331
Unutilised Losses carried forward	(197)	255
Exchange difference on translation from Sterling to US Dollars between tax computation and year end rate	-	31
Current tax (credit) / charge	<u>-</u>	<u>(67)</u>

Provisions for taxation – deferred taxation

	2010	2009
	US\$	US\$
	000s	000s
Opening balance	(255)	-
Debit / (credit) for the year	197	(255)
Exchange difference	19	-
	<u>(39)</u>	<u>(255)</u>

Note 19

Investments	2010	2009
	US\$	US\$
	000s	000s
Fixed interest securities at cost	<u>16,216</u>	<u>13,279</u>
Fixed interest securities at market value	16,316	13,169
UCITS – cash	<u>9,380</u>	<u>10,988</u>
	<u>25,696</u>	<u>24,157</u>

International Transport Intermediaries Club Limited

NOTES TO THE FINANCIAL STATEMENTS contd.

Note 20

Cash and Investment Maturity Summary	2010	2009
	US\$	US\$
	000s	000s
Cash and investments	<u>30,204</u>	<u>27,200</u>
	2010	2009
	per cent	per cent
Cash and interest bearing securities repayable within one year	45 98	51 58
Interest bearing securities repayable between one and three years	20 17	5 78
Interest bearing securities repayable between greater than three	<u>33 85</u>	<u>42 64</u>
	<u>100.00</u>	<u>100 00</u>

Note 21

Cash and Investment Currency Exposure	2010	2009
	per cent	per cent
Sterling	12 49	16 23
US Dollar	77 71	72 20
Euro	<u>9 80</u>	<u>11 57</u>
	<u>100 00</u>	<u>100 00</u>

Note 22

Debtors Arising out of Direct Insurance Operations	2010	2009
	US\$	US\$
	000s	000s
Members' balances due	2,322	2,313
Members' balances not yet due	19,313	13,207
Excess loss reinsurance recoveries	468	1,028
Quota share recoveries	<u>2,431</u>	<u>1,481</u>
	<u>24,534</u>	<u>18,029</u>

International Transport Intermediaries Club Limited

NOTES TO THE FINANCIAL STATEMENTS contd.

Note 23

Other Debtors	2010	2009
	US\$	US\$
	000s	000s
Value added tax	3	6
Other debtors	177	113
	<u>180</u>	<u>119</u>

Note 24

Creditors Arising out of Direct Insurance Operations	2010	2009
	US\$	US\$
	000s	000s
Amounts due to Members/brokers	388	411
Outward Reinsurance premiums	1,236	1,371
	<u>1,624</u>	<u>1,782</u>

Note 25

Other Creditors Including Taxation and Social Security	2010	2009
	US\$	US\$
	000s	000s
Management fee	561	198
Corporation tax	-	-
	<u>561</u>	<u>198</u>

Note 26

Accruals and Deferred Income	2010	2009
	US\$	US\$
	000s	000s
Accrued expenses and sundry creditors	433	725
Deferred insurance commission costs	3,292	2,731
	<u>3,725</u>	<u>3,456</u>

International Transport Intermediaries Club Limited

NOTES TO THE FINANCIAL STATEMENTS contd.

Note 27

Technical Provisions	2010	2009
	US\$	US\$
	000s	000s
Claims outstanding - gross amount	<u>51,674</u>	<u>46,684</u>
Reinsurers' share - excess loss reinsurers	11,947	12,718
Reinsurers' share - quota share reinsurer	<u>35,754</u>	<u>30,569</u>
	<u>47,701</u>	<u>43,287</u>

Note 28

Segmental Information	2010	2009
	US\$	US\$
	000s	000s
Gross Earned Premium		
Members located in UK	13,727	11,231
Members located in other EU States	17,381	17,835
Members located outside EU	<u>17,103</u>	<u>18,188</u>
	<u>48,211</u>	<u>47,254</u>

The Club writes only one class of business

Note 29

Related Party Transactions

The Club has no share capital and is controlled by the Members who are also the insureds. The subsequent insurance transactions are consequently deemed to be between related parties but these are the only transactions between the Club and the Members.

All the Directors are current representatives of Member companies and, other than the Member interests of their companies, the Directors have no financial interests in the Club.

ITIC reinsures with Transport Intermediaries Mutual Insurance Association Limited (TIM), Bermuda on a 90% quota share basis both its liabilities from 1st September, 1992 and its liabilities assumed under the agreement to run-off Transport Intermediaries Mutual Insurance Association Limited and the Chartered and International Shipbrokers P&I Club Limited (CISBA).

International Transport Intermediaries Club Limited

NOTES TO THE CASH FLOW STATEMENT

Note 30

Analysis of Cash Flows for Headings in the Cash Flow Statement Returns on Investments and Servicing of Finance

	2010 US\$ 000s	2009 US\$ 000s
Interest received	150	(29)
Exchange gains	<u>(1,478)</u>	<u>(1,184)</u>
	<u>(1,328)</u>	<u>(1,213)</u>
Financing		
Continuity credit	<u>(633)</u>	<u>(937)</u>
Portfolio investments		
Purchase of fixed income securities	<u>2,585</u>	<u>7,172</u>

Note 31

Movement in Cash, Portfolio Investments and Financing

	At 1.6.09 US\$ 000s	Cash Flow US\$ 000s	Change in market value US\$ 000s	At 31.5.10 US\$ 000s
Cash at bank and in hand	3,043	1,465	-	4,508
Fixed income securities	13,169	2,585	562	16,316
UCITS cash	<u>10,988</u>	<u>(1,608)</u>	<u>-</u>	<u>9,380</u>
	<u>27,200</u>	<u>2,442</u>	<u>562</u>	<u>30,204</u>