HELLENIC WAR RISKS

FINANCIAL STATEMENTS

Directors' Report and Consolidated Financial Statements for the year ended 31 December 2015

HELLENIC WAR RISKS IS MANAGED BY **THOMAS MILLER**

Specialist mutual war risks insurance for the Greek shipping community

CONTENTS

With our specialist, mutual war risks insurance, we protect the Hellenic shipping community from malicious loss or damage, all over the world.

Directors' Report and Consolidated Financial Statements for the year ended 31 December 2015

HELLENIC WAR RISKS AT A GLANCE

For the year ended 31 December 2015

Total Entered Value

$94bn

Total Number of Ships Entered

2,565

Surplus for the Year

$2.16m

End of Year Reserves

$108m

Investment Return

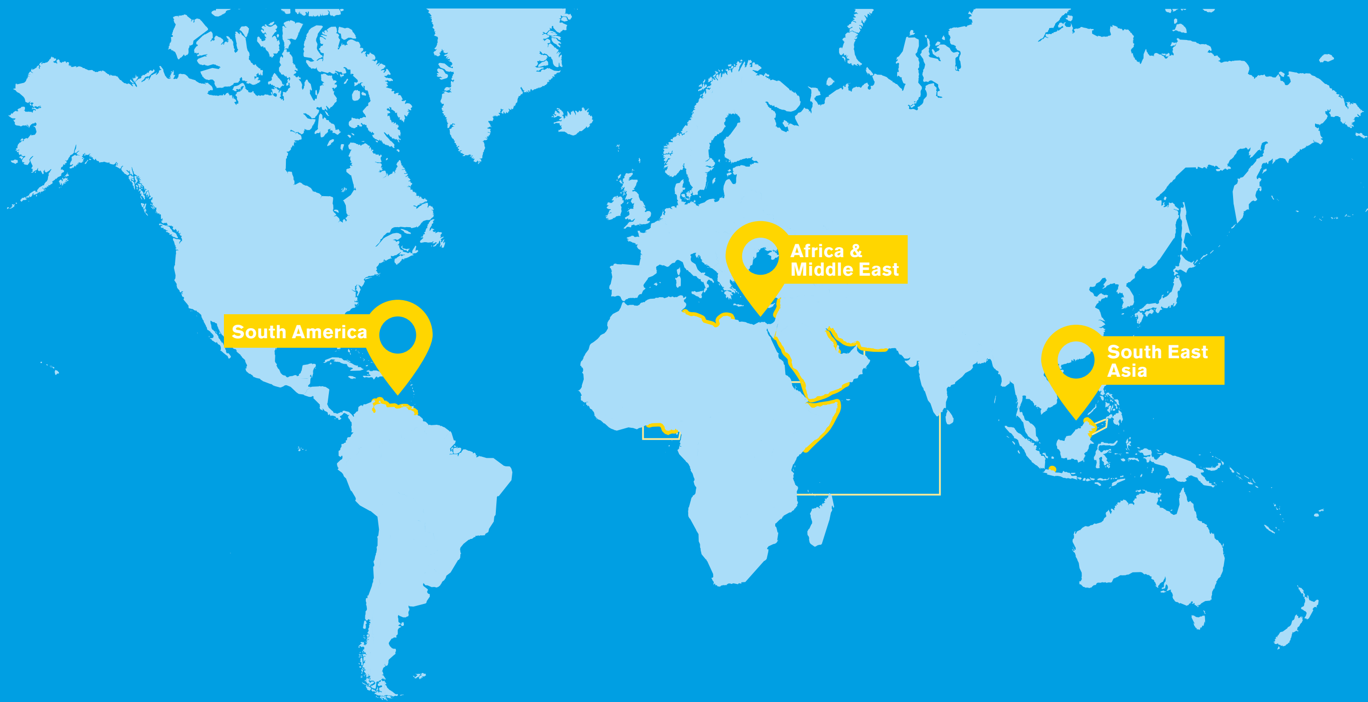
1%

Pirate Activity

9

The Association received nine claims in 2015 (2014, five claims).

AP Areas



South America
Venezuela

Africa
Benin
Gulf of Guinea
Libya
Nigeria
Somalia
Togo
Southern Red Sea
Gulf of Aden / Gulf of Oman
Arabian Sea / Indian Ocean

Middle East
Iran
Iraq
Israel
Lebanon
Saudi Arabia
Syria
Yemen

Proud of our tradition, proud of our history, focused on the future

NOTICE OF MEETING | Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty Seventh Annual General Meeting of the Members of the Association will be held at the Astir Palace Resort, 40 Apollonos Str, 16671 Vouliagmeni, Athens at 10.00am on 19 September 2016 for the following purposes:

- To approve and adopt the Directors' Report and the Consolidated Financial Statements for the year ended 31 December 2015.
- To elect Directors.
- To reappoint the Auditors and authorise the Directors to fix their remuneration.
- To approve and adopt amendments to the Rules and Bye-Laws of the Association.
- To transact any other business of an Ordinary General Meeting.

By Order of the Board.

Thomas Miller (Bermuda) Limited
Company Secretary
25 May 2016

DIRECTORS

Directors	Alternate Directors
M F Lykiardopulo (Chairman)	
M G Pateras (Deputy Chairman)	
J A Angelicoussis	Ms M Angelicoussi
C I Caroussis	
S J Fafalios	
A Frangou	
G J Goulandris	
P J Goulandris	
G J Goumas	
P Hajioannou	
P E Kollakis	
P Laskaridis	Miss S Laskaridis
A T Lemos	Mr F P Lemos (Appointed 11 February 2015)
M C Lemos	
S G Livanos	
M T Los	
J M Lyras	
N C Martinos	
G D Pateras	
Mrs K Siggins	
Mrs M Travlos	
N Veniamis	
R Zein (Appointed 8 January 2016)	
G Embiricos (Appointed 23 February 2016)	
P Gripari (Appointed 18 April 2016)	

REVIEW OF THE YEAR

Chairman's Statement

With the continuing background of poor freight markets in 2015, particularly in the dry bulk sector, the Association's Directors prioritised improving rates and terms to assist Members during this extremely difficult time.

The size of the Association's membership and its financial strength allowed the Board to again improve its already competitive terms with annual premium rates for 2015 reduced by 20% and additional premium rates for Gulf of Aden and Indian Ocean transits reduced from 1 July 2015. The Association also continued to be as flexible as possible in dealing with Members' requests.

The reduction in pirate activity in the Gulf of Aden and Indian Ocean continued and 2015 passed without any ships being taken by Somali pirates. It is now four years since a ship entered in the Association was taken. However, the threat of piracy in the Gulf of Aden and Indian Ocean, though diminished, has not disappeared. In order to encourage Members to continue to take on-board security, which is seen by the Board as a major deterrent, the Board agreed mid-way through the 2015 Policy Year to increase the discount allowed on additional premiums for such security; and again at 1 January 2016.

Whilst the threat in the Gulf of Aden and Indian Ocean may have diminished, other areas, particularly Libya and Yemen, have seen increased risk. The year saw an increase in Members trading to Libya and the Association assisted Members by covering 405 additional premium declarations there during 2015 at market leading competitive rates. Nigeria also continues to be an area of serious concern.

The Association incurred 9 claims during 2015 compared to 5 in 2014. The two largest incurred claims both concerned tankers. The first was attacked by a jet fighter off Libya and involved crew deaths, injuries and ship damage. The second was boarded by pirates off Nigeria and also involved a crew death and crew taken ashore for ransom. The nature of these claims was very unfortunate but, in both instances, in addition to the reimbursement of claims, the Members concerned benefited from the immediate response, breadth of cover and vast experience the Association has in dealing with such cases. I believe that the Association stands apart from its competitors in this respect.

Although this is a challenging time for the industry I am pleased to report another good year for the Association. The Association's rates, service, quality of cover and claims response ensured that the Membership grew again during 2015, with entered values at the year-end increasing to US$93.6 billion and 2,565 ships entered in the Association.

The Association continues to enjoy a very strong financial position and its reserves increased in 2015, standing in excess of US$107 million at the end of the year. The reserves continue to be protected by a high quality reinsurance programme placed with "A" rated reinsurers with the Association only taking a small retention risk but maintaining full claims control. Prudent investment of the reserves enables rates to be kept as competitive as possible though recent investment returns have been modest by historical standards.

The Association's Directors are all too aware of the risks faced by ships and their crews and are committed to providing the best possible cover to the membership at highly competitive rates and supporting the Members wherever possible.

I would like to thank all Members for their continued support of the Association.

M F Lykiardopulo
Chairman
25 May 2016

DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and the Consolidated Financial Statements of Hellenic Mutual War Risks Association (Bermuda) Limited (the "Association") for the year ended 31 December 2015.

Principal activity

The principal activity of the Association continued to be the insurance of Greek owned merchant ships against war risks.

Directors

The current Directors of the Association and dates of appointment during the financial year and to date are shown on page 4.

In accordance with Bye-Law 6.4.2, Mrs M Travlos and Messrs G Goumas, P Hajioannou, M C Lemos, S G Livanos, J M Lyras, G D Pateras and N Veniamis retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Bye-Law 6.4.4, Messrs G Embiricos, P Gripari and R Zein, having been appointed during the year and being eligible, offer themselves for election at the forthcoming Annual General Meeting.

Contributions and Premiums

The underwriting income for the year amounted to US$16,218,000, of which 14.55% (US$2,360,000) represented income from advance contributions and 85.45% (US$13,858,000) represented income from additional premiums. The corresponding figure for underwriting income in the 2014 financial year was US$15,968,000.

Contingent Liability

The Association remains involved in litigation in relation to the loss of the DEMETRA BEAUTY in the Gulf of Oman in January 1991.

There was no material change as regards the DEMETRA BEAUTY litigation during 2015. The Association continues defending various claims in Greece, as it is considered the Association is not liable to pay damages for those claims.

Investments

The Association's Investment Fund increased to US$116,578 ,000 as at 31 December 2015 (2014: US$113,003,000). US$17,252,000 was held in cash or money market instruments, US$61,478,000 was invested in short term European and United States' bonds, US$8,066,000 was invested in absolute return funds and US$29,782,000 was invested in North American mutual funds.

Reserves

The balance of the Association's funds as at 31 December 2015, including the Statutory Reserve Fund of US$240,000, stood at US$107,748,000 (2014:US$105,585,000).

Risk Management

The Association is exposed to financial risk through its assets and liabilities. The most significant risks are market risk, insurance risk, reinsurance risk and credit risk. The Association has policies and procedures in place to manage these risks.

Market risk is the risk of changes in the financial markets affecting the value of the Association's investments. It is managed by the Association's investment policy, which is monitored by means of reports from the Investment Managers to the Directors at each Board meeting.

Insurance risk is associated with claims on the Association. Exposure is primarily mitigated by a strategy of risk transfer through the Association's reinsurance programme. The Association's underwriting policy, which the Board reviews at least once a year, is also used to manage this risk.

Reinsurance risk is the risk of the Association's reinsurers being unable to meet their obligations. This risk is mitigated by placing reinsurance only with 'A' rated underwriters and by ensuring that no single non Lloyd's underwriter carries more than a 10% line. The Association's reinsurance contract includes a term giving it the right to remove any underwriter that loses its 'A' rating. The Board reviews reinsurance annually before renewal.

Credit risk is the risk of losses caused by other parties failing, in whole or in part, to meet obligations to the Association. Debtor exposure is mitigated because it is widely spread across the membership. This exposure is monitored by means of thrice yearly reports from the Managers to the Board and it is the Association's policy not to confirm renewal to any Member with amounts overdue.

Directors' Meetings

The Directors met three times during 2015: in Zurich on 14 May, in Athens on 7 September and in Geneva on 23 November.

At every meeting, the Directors reviewed the total value of the ships insured by the Association, as well as the Association's financial position and reports from the Investment Managers on the investment of the Association's funds.

The Directors reviewed the application of the Isle of Man Financial Services Authority's Code of Corporate Governance to the Association and confirmed the Association's continued compliance with the Code. They also confirmed the Association's compliance with the Bermuda Insurance Code of Conduct.

A number of claims were also considered, including that on the DEMETRA BEAUTY referred to elsewhere in this report, as well as a claim incurred in Libya and a crew death / kidnapping case in Nigeria. The Directors reaffirmed their endorsement of the recommendations contained in the latest guidance to avoid, delay or deter attacks by Somali pirates (BMP4).

During the year, the Directors considered a report on the 2015 renewal and various issues relating to marketing of the Association. At their November meeting, the Directors reviewed the Association's reinsurance programme, before considering and agreeing renewal of that programme. They also discussed and agreed the rates and terms to Members for 2016.

AP Areas

As at 1 January 2015, the Additional Premium ("AP") Areas pursuant to Rule 15 were as follows:

Africa: Benin, Eritrea (South of 15° N), Gulf of Guinea, but only in respect of the area enclosed by:
on the northern side, the coast of Benin, Togo and Nigeria
on the western side, a straight line from the border, on the coast, of Ghana and Togo to position 3° N, 1° 10' E
on the southern side a straight line from there to position 3° N, 8° E
and on the eastern side, a straight line from there to 4° N, 8° 31' E and then from there to the border, on the coast of Nigeria and Cameroon,

Libya, Nigeria, Somalia and Togo;

Indonesia / Malaysia: North East Coast of Borneo, between and including Kudat and Tarakan, and Jakarta;

Middle East: Iran, Iraq, Israel, Lebanon, Saudi Arabia, Syria and Yemen;

Philippines: Sulu Archipelago including Jolo;

South America: Venezuela;

Indian Ocean / Arabian Sea / Gulf of Aden / Gulf of Oman / Southern Red Sea Transits:

The waters enclosed by the following boundaries:
On the north-west, by the Red Sea, south of 15° N
on the west of the Gulf of Oman by 58° E
on the east, 78° E
and on the south, 12° S

The Association's AP Areas as at 1 January 2016, as well as the parameters for Somalia, Gulf of Aden/Indian Ocean and Yemen (including Transits of all four Areas) are described in detail in Circulars C4/2015 and C5/2015, which can be read on and downloaded from the Association's website.

Members' attention is also drawn to the terms of Rule 25, which deal exclusively with AP Areas. Members are required to give written notice before a ship enters any AP Area. If notice is not given, the ship has no cover while in the AP Area unless otherwise agreed by the Managers.

Directors' Responsibilities Statement

The following statement, which should be read in conjunction with the Independent Auditors' Report, set out on page 7, is made for the purpose of clarifying for Members the respective responsibilities of the Directors and the Auditors in the preparation of the Consolidated Financial Statements.

Bermudian company law requires the Directors to prepare financial statements, which give a true and fair view of the state of affairs of the Association as at 31 December 2015 and of the surplus of the Association for the year then ended. In the preparation of these financial statements, the Directors are required to ensure that they:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements;
- prepare the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- develop internal controls over the financial reporting process to provide reasonable assurance that relevant and reliable financial information is produced; and
- oversee management's performance of its financial reporting responsibilities.

The Directors fulfil these responsibilities by reviewing financial information prepared by management and discussing relevant matters with management and the Association's external auditors.

The Directors are responsible for the keeping of proper accounting records which disclose, with reasonable accuracy, at any time, the financial position of the Association and to enable them to ensure that the Consolidated Financial Statements comply with regulatory requirements. They are also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Messrs Moore Stephens & Butterfield, the Association's Auditors, are willing to continue in office. A resolution to reappoint them and to authorise the Directors to determine their remuneration will be submitted to the forthcoming Annual General Meeting.

Website

The Report and Consolidated Financial Statements may also be read and downloaded from the Association's website at **www.hellenicwarrisks.com**.

M F Lykiardopulo
Chairman
25 May 2016

INDEPENDENT AUDITOR'S REPORT

Independent Auditors' Report to the Members of Hellenic Mutual War Risks Association (Bermuda) Limited

We have audited the accompanying consolidated financial statements of Hellenic Mutual War Risks Association (Bermuda) Limited (the "Association") and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Association's members, as a body. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Association and its subsidiary as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
Hamilton, Bermuda
25 May 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Revenue			
Contributions and premiums	3	16,218	15,968
Reinsurance premiums	4	(10,964)	(12,996)
		5,254	**2,972**
Expenditure			
Incurred claims	5	(250)	(248)
Acquisition costs		(107)	(349)
Operating expenses	6	(4,068)	(4,613)
Exchange (loss) / gains	7	(107)	87
		(4,532)	**(5,123)**
Operating profit / (loss)		722	(2,151)
Investment return	8	1,001	4,414
Market value adjustment on fixed assets		914	-
Net income for the year before property taxes		**2,637**	**2,263**
Property taxes		(16)	(14)
Income tax deferred		(229)	-
Net income for the year before non-controlling interests		**2,392**	**2,249**
Non-controlling interests		(228)	(7)
Transfer from capital reserve		-	72
Net income		2,164	2,314
General reserve at beginning of year		105,336	103,022
General reserve at end of year	18	**107,500**	**105,336**

The accompanying notes form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Note	2015 US$'000	2014 US$'000
Assets			
Cash and cash equivalents	12	17,143	12,527
Financial assets at fair value through profit and loss	9 and 12	99,467	100,476
Accrued interest		320	331
Amounts due from Members	15	4,281	3,924
Sundry receivables	14	4,811	6,331
Reinsurance recoveries on outstanding claims	10	4,794	6,604
Fixed assets net	13	1,268	452
		132,084	**130,645**
Liabilities			
Financial liabilities at fair value through profit and loss	9	(32)	-
Outstanding claims	10	(4,858)	(6,767)
Payables	16	(18,471)	(17,727)
Tax and social security contributions		(271)	(22)
Sundry long-term liabilities		-	(13)
		(23,632)	**(24,529)**
Non-controlling interests		**(704)**	**(531)**
Total net assets		**107,748**	**105,585**
Funds			
Capital reserve		8	9
Statutory reserve	17	240	240
General reserve	18	107,500	105,336
Total funds		**107,748**	**105,585**

The accompanying notes form an integral part of these Consolidated Financial Statements.

Chairman
Mr M F Lykiardopulo

Director
Mr M G Pateras

Managers
Thomas Miller (Bermuda) Ltd

Date
25 May 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Note	Company		Group	
		2015 US$'000	**2014 US$'000**	**2015 US$'000**	**2014 US$'000**
Funds					
Capital reserve balance brought forward		-	-	9	68
Statutory reserve balance brought forward		240	240	240	240
General reserve balance brought forward		105,345	103,090	105,336	103,022
		105,585	**103,330**	**105,585**	**103,330**
Revaluation of capital reserve		-	-	(1)	13
Transfer from capital reserve to general reserve		-	-	-	(72)
Net income		2,163	2,255	2,164	2,314
Funds at end of year		**107,748**	**105,585**	**107,748**	**105,585**
Capital reserve		-	-	8	9
Statutory reserve	17	240	240	240	240
General reserve	18	107,508	105,345	107,500	105,336
Funds at end of year		**107,748**	**105,585**	**107,748**	**105,585**

The accompanying notes form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Cash flows from operating activities			
Net income before non-controlling interest		2,392	2,249
Adjustments for:			
Gain on sale of financial investments		(1,333)	(3,846)
Unrealised loss on valuation of financial investments		1,786	685
Market value adjustment on fixed assets		(914)	-
Depreciation and amortisation		52	4
Changes in working capital:			
Decrease in reinsurance recoveries on outstanding claims		1,810	1,408
Decrease / (increase) in sundry receivables		1,520	(1,290)
Decrease in accrued interest		11	31
(Increase) / decrease in amounts due from Members		(357)	2,498
Decrease in outstanding claims		(1,909)	(1,245)
Increase / (decrease) in payables		744	(2,208)
Increase in tax and social security contributions		249	9
Cash flows from / (used in) operating activities		**4,051**	**(1,705)**
Cash flows from investing activities			
Purchase of financial investments		(165,974)	(166,365)
Proceeds from sale of financial investments		166,562	163,967
Decrease in sundry long-term liabilities		(13)	(1)
Cash flows from / (used in) investing activities		**575**	**(2,399)**
Foreign currency translation		(10)	(17)
Net Increase / (decrease) in cash and cash equivalents		4,616	(4,121)
Cash and cash equivalents at beginning of year		12,527	16,648
Cash and cash equivalents at end of year		**17,143**	**12,527**

The accompanying notes form an integral part of these Consolidated Financial Statements.

Notes to the Financial Statements

1. Constitution

Hellenic Mutual War Risks Association (Bermuda) Limited (the "Association") was incorporated as an exempt company in Bermuda under an Act of the Bermuda Legislature. Certain powers concerning the conduct of business and management of the Association are contained in the Association's Rules and Bye-Laws. The Association holds an insurance permit under section 22 of the Insurance Act 2008 (an Act of Tynwald) to carry on insurance business in or from the Isle of Man. The Association is subject to Isle of Man income tax at a rate of 0%. Under current Bermuda law, the Association is not required to pay any taxes in Bermuda on either income or capital gains. The Association has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed, the Association will be exempted from taxation until the year 2035. The Association insures Greek owned merchant ships against war risks.

2. Accounting policies

a) General information and statement of compliance with IFRS

These consolidated financial statements of the Association have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements have been prepared on a historical cost basis, except that listed investments have been measured at fair value as disclosed in note 2(J) and note 9. All transactions relate to continuing activities.

The consolidated financial statements for the year ended 31 December 2015 (including comparatives) were approved and authorised for issue by the Board of Directors on 25 May 2016.

b) Principles of consolidation

The Association holds 58.02% of the issued share capital of Hellenic Shipping War Risks Insurance S.A. (Ellinikai Naftiliakai Asfalissis Kata Kindinon Polemou A.E.), a company incorporated in Greece. The subsidiary performs certain services in Greece on behalf of the Association.

The consolidated financial statements include the accounts of the Association and of its subsidiary, Hellenic Shipping War Risks Insurance S.A (Ellinikai Naftiliakai Asfalissis Kata Kindinon Polemou A.E.). The consolidation is conducted under the historical cost convention.

c) Policy year accounting

For internal accounting and reporting purposes, the Association follows policy year accounting.

Contributions and premiums, reinsurance premiums payable, claims and reinsurance recoveries are allocated to the policy years to which they relate.

Investment income, profits/losses on sale of investments and currency exchange gains / losses are allocated proportionally to the funds on the General Reserve and open policy years.

The management fee and general expenses are allocated to the current policy year.

2. Accounting policies (continued)

d) Non-US dollar currencies

The consolidated financial statements have been drawn up in US dollars, the presentation currency of the Association.

Foreign currency assets and liabilities and movement on forward currency contracts have been translated at the closing US dollar exchange rate at the year end. The resultant difference is included within exchange gains/losses (see note 7).

Revenue transactions are translated into US dollars at the closing rate applicable for the month in which the transaction took place.

All exchange gains/losses whether realised or unrealised have been included in the Consolidated Statement of Comprehensive Income.

e) Contributions and premiums

Contributions and premiums, less returns, are the total receivable for the whole period of cover provided by the contracts incepting during the accounting period together with any premium adjustments relating to prior accounting periods.

f) Claims

Incurred claims include claims paid, the estimated cost of known outstanding claims and a provision for incurred but not reported claims. These amounts are shown net of reinsurance recoveries in the Consolidated Statement of Comprehensive Income.

Estimated costs of known outstanding claims are based on the Managers' best assessment and judgement of the expected final costs of any claim, relying on the information available at the time. Inherent in these estimates are factors that could vary as the claims develop, including reports on the background facts of an incident and advice from lawyers appointed on the Association's behalf. Accordingly, the amounts provided for estimated outstanding claims may differ materially from the Association's ultimate liability for such claims. Estimates on individual claims are reviewed on a regular basis and any differences are recorded in the period in which they are determined. Outstanding claims in the consolidated statement of financial position are shown gross and reinsurance recoveries are shown as an asset.

The provision for claims incurred but not reported is based on the Managers' best estimate of the final cost of any claims arising out of events that occurred during the year, but which have not currently been reported to the Association. The Association does not experience a volume of claims sufficient to allow meaningful actuarial analysis and so the estimate is based on the Managers' assessment of the likelihood of claims being incurred but not reported. Accordingly, the provision for claims incurred but not reported may differ materially from the actual amount of such claims and differences are recorded in the period in which they are determined.

g) Reinsurance recoveries

The amount credited to the Consolidated Statement of Comprehensive Income for reinsurance recoveries relates to recoveries on claims incurred during the year.

h) Reinsurance premiums

Reinsurance premiums payable by the Association are charged to the Consolidated Statement of Comprehensive Income on an accruals basis. Reinsurance does not relieve the Association's obligations to insured Members and a reinsurer insolvency could expose the Association to the risk of loss. Accordingly provisions are established for any reinsurance amounts due that management deems to be uncollectible.

2. Accounting policies (continued)

i) Investment return

Investment return comprises interest received and accrued on bonds and bank deposits, dividend receipts and profits and losses on the disposal of investments.

Investment return is allocated between the General Reserve and open policy years proportionately to their funds.

j) Investments

Bonds, mutual funds and absolute return funds are stated at fair value through profit and loss and are held in the trading portfolio. Fair value is determined to be the market value as at the end of each reporting period. An impairment review is carried out on each holding at the end of each reporting period and any movements arising are recognised in the Consolidated Statement of Comprehensive Income.

k) Fixed assets and depreciation and amortisation

The fair value of the Group's Land and Buildings has been arrived at on the basis of a valuation carried out as at 1 January 2014 by Messrs Savills plc, independent valuers not connected with the Association. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. The fair value by this valuation will be treated as deemed cost by the Association as per IFRS 1.

The valuation mentioned above has also provided an estimation for the useful life of each asset (with a range of 31 to 33 years from the valuation date) on which the yearly depreciation amounts have been calculated on a straight line basis.

Depreciation regarding Furniture & Fittings is calculated at rates between 10% and 20% from the first day of usage (and on a straight line basis) of each component, up to its respective estimated residual value

l) Reserves

The permitted purposes for which the funds and reserves are maintained are stated within the Association's Rules.

m) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash equivalents are investments with original maturity of three months or less from the date of acquisition. (The cash and cash equivalents of the Association are analysed in more detail in note 12).

n) Financial Instruments

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

2. Accounting policies (continued)

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables

Amounts due from members and sundry receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Association's cash and cash equivalents, amounts due from members and sundry receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial liabilities

The Association's financial liability pertains to its payables. Payables are measured subsequently at amortised cost using the effective interest method.

o) Insurance Risk

Insurance risk is associated with claims on the Association. Exposure is primarily mitigated by a strategy of risk transfer through the Association's reinsurance programme. The Association's underwriting policy, which the Board reviews at least once a year, is also used to manage this risk.

2. Accounting policies (continued)

p) Reinsurance risk

Reinsurance risk is the risk of the Association's reinsurers being unable to meet their obligations. This risk is mitigated by placing reinsurance only with underwriters rated 'A' or above by AM Best or Standard & Poor's and by ensuring that no single non Lloyd's underwriter carries more than a 10% line. The Association's reinsurance contract includes a term giving it the right to remove any underwriter that loses its 'A' rating. The Board reviews reinsurance annually before renewal.

q) Credit risk

Credit risk is the risk of losses caused by other parties failing, in whole or in part, to meet obligations to the Association. Debtor exposure is mitigated because it is widely spread across the membership. This exposure is monitored by means of thrice yearly reports from the Managers to the Board and it is the Association's policy not to confirm renewal to any Member with amounts overdue. (The debtor balances of the Association are analysed in more detail in notes 14,15 and 20).

r) Liquidity risk

Liquidity risk is the risk of losses caused by assets not being liquid enough to meet obligations of the Association as they fall due. This exposure is monitored regularly by both the Managers and the Board, and significant levels of assets are maintained in very liquid instruments to minimise this exposure. (The liquidity risk of the Association is analysed in more detail in note 20).

s) Significant accounting judgements, estimates and assumptions

The following are significant management judgements, estimates and assumptions in applying the accounting policies of the Association that have the most significant effect on the consolidated financial statements.

Impairment

An impairment loss is recognised for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

2. Accounting policies (continued)

Claims

The Association is currently handling various claims where the actual outcome may vary from the amount recognised in the consolidated financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Association's position in the related claims (see also note 2(F)).

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	2015 US$'000 Level 1	2015 US$'000 Level 2	2014 US$'000 Level 1	2014 US$'000 Level 2
Assets				
Listed securities	91,260	-	87,302	-
Unlisted securities	-	8,066	-	13,174
Net fair value	**91,260**	**8,066**	**87,302**	**13,174**

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

All the listed equity securities are denominated and are publicly traded in US Dollars. Fair values have been determined by reference to their quoted bid prices at the reporting date.

The fair value of the Association's investments in money market funds has been determined by reference to their quoted bid prices at the reporting date. All money market funds are publicly-traded on stock exchanges in US Dollars. Gains and losses are recorded within investment return.

Gains or losses recognised in profit or loss for the period are presented in investment return and analysed in note 8 to the consolidated financial statements.

There have been no transfers in or out of level 3 in the reporting periods under review.

2. Accounting policies (continued)

t) Future accounting pronouncements

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Association.

Management anticipates that all of the relevant pronouncements will be adopted in the Association's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Association's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Association's consolidated financial statements.

IFRS 9 Financial Instruments

The CICA aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) has been issued and is effective for annual periods beginning on or after 1 January 2018.

Management have yet to assess the impact that this amendment is likely to have on the consolidated financial statements of the Group. However, they do not expect to implement the amendments until they can comprehensively assess the impact of all changes.

3. Contributions and premiums

	2015 US$'000	2014 US$'000
Advance contributions	2,360	2,735
Additional premiums	13,842	13,219
Ellinikai contributions	16	14
	16,218	**15,968**

Before the start of each Policy year, the Directors decide the rate of Advance Contribution to be paid for that year, expressed as a percentage of the total sum insured in respect of each Entered Ship. The level of the Association's income from Advance Contributions may be affected by changes in the number or value of ships entered. Any reduction in Advance Contribution income would result in reductions in initial reinsurance premiums and in acquisition costs (brokerage). For example, had there been a 10% (US$236,000) reduction in the level of 2015 Advance Contributions, there would have been corresponding reductions of US$179,000 in initial Reinsurance Premiums and US$10,700 in acquisition costs. All other things being equal, a 10% reduction in Advance Contribution income would, therefore, have decreased the operating result by US$46,300.

3. Contributions and premiums (continued)

The level of the Association's income from Additional Premiums may be affected by the number of Additional Premium Areas and the rates charged for trading to those Areas. It may also be affected by changes in the number or value of ships entered. Any reduction in Additional Premium income would result in a reduction in additional reinsurance premium. For example, had there been a 10% (US$1.384 million) reduction in the level of 2015 Additional Premium, there would have been a corresponding reduction of US$917,000 in Additional Reinsurance Premium. All other things being equal, a 10% reduction in Additional Premium income would, therefore, have reduced the operating result by US$467,000.

4. Reinsurance premiums

	2015 US$'000	2014 US$'000
Initial	1,791	2,758
Additional	9,173	10,238
	10,964	**12,996**

The rate the Association is charged for the initial reinsurance, which the Directors agree at their November meeting, is fixed before the start of each Policy Year and applies for the whole year. The reinsurance rates the Association is charged for voyages into Additional Premium Areas are assessed on a voyage by voyage basis and vary according to the prevailing situation in each area. The level of the Association's Additional Premium reinsurance cost may also be affected by changes in the number of Areas. Any increase in this reinsurance cost would result in higher Additional Premium income. For example, had there been a 10% (US$917,000) increase in Additional Premium reinsurance cost, there would have been a corresponding increase of US$1.384 million in Additional Premium income. All other things being equal, the operating result would, therefore, have increased by US$467,000.

5. Incurred claims

	2015 US$'000	2014 US$'000
Gross claims paid / (recovered)	4,958	(3,061)
Less: reinsurance (recoveries) / reimbursements	(4,610)	3,146
Net claims paid	**348**	**85**
Decrease in provision for outstanding claims	(1,908)	(1,245)
Decrease in provision for reinsurance recoveries	1,810	1,408
Net incurred claims	**250**	**248**

5. Incurred claims (continued)

The Association is protected against the incidence of claims by reinsurance treaties under which the Association obtains recovery in full from its reinsurers in respect of all claims arising out of events occurring in all Additional Premium Areas except for Somalia and Somalia/Yemen/Gulf of Aden/Indian Ocean Transits. Claims arising out of events occurring in that Additional Premium Area are subject to a deductible of US$250,000 in respect of each and every incident. In 2015, no Entered Ships were seized by Somali pirates, though several suspicious approaches and attacks continued to be reported, as was the case in 2014. Since the 1997 Policy Year, the Association obtains recovery in excess of an annual aggregate deductible of US$250,000 in respect of all claims arising out of events occurring in non-Additional Premium Areas.

6. Operating expenses

	2015 US$'000	2014 US$'000
Management fee	2,777	3,428
Charitable donations	252	125
Employee costs	162	177
Greek office expenses	157	123
Directors' meetings – travel and hotel expenses	114	165
Managers' travel	96	70
Insurance expenses	88	98
Audit fees	76	99
Legal and other professional charges	66	18
Printing and stationery	61	56
Communications – telephone and postage	57	69
Depreciation and amortisation (see note 13)	52	4
Bank and finance charges	46	46
Government fees	32	25
NATO PBOS Working Group	23	7
Promotional expenses	5	3
Directors' fees	4	16
Financing costs	-	84
	4,068	**4,613**

7. Exchange (loss) / gains

	2015 US$'000	2014 US$'000
Exchange gains on operating activities	(107)	87

8. Investment return

	2015 US$'000	2014 US$'000
Interest on bonds	1,485	1,308
Interest on bank deposits	46	6
(Loss) / gain on sale of bond securities	(139)	392
Gain on sale of absolute return funds	305	1,802
Gain on sale of equity securities	1,035	1,518
Rental income	72	73
	2,804	5,099
Net unrealised (loss) / gain on valuation of equity securities	(1,739)	401
Net unrealised loss on valuation of absolute return funds	(9)	(1,432)
Net unrealised (loss) / gain on valuation of bond securities	(55)	346
	(1,803)	(685)
Investment return	**1,001**	**4,414**

9. Investments

	Group	
	2015 US$'000	2014 US$'000
Bonds	61,478	69,836
Equities	29,782	17,466
Total listed investments at market value	**91,260**	**87,302**
- cost US$88,518,811 (2014 US$82,759,608)		
Absolute Return Funds – unlisted	8,066	13,174
Forward contracts receivable	141	-
Financial assets at fair value	**99,467**	**100,476**
Financial liabilities at fair value: Forward contracts payable	(32)	-
	99,435	**100,476**

9. Investments (continued)

The market value of the Association's investments in bonds may be affected by changes in the prevailing level of interest rates. At the date of the Consolidated Statement of Financial Position, the investments in bonds had effective interest rates between 0.603% and 4.5% (2014 effective interest rates for bonds between 0.109% and 4.5%).

The risk of changes in interest rates, and other market risks, are managed by the Association's investment policy. The Investment Managers keep asset allocation under review, adjusting it according to the prevailing interest rates and other changes in the financial markets.

i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The modified duration is an indicator of the sensitivity of the assets and liabilities to changes in the current interest rates. The Association manages this risk through the specific investment guidelines under which each Investment Manager in the fixed interest discipline operate. At 31 December 2015, an increase / decrease of 50 basis points in interest yields, with all other variables held constant, profit for the year would have been US$1,044,000 lower / higher.

ii) Equity price risk

The Association is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. The majority of investments held are listed and traded on the New York and other recognised exchanges.

Listed equity securities represent 100% of total equity investments, with 100% listed on the either the New York or NASDAQ Stock Exchanges. If the New York and NASDAQ Stock Exchanges had increased / decreased by 5%, with all other variables held constant, and all the Association's equity investments moving according to historical correlation with the index the profit for the year would increase/ decrease by US$1,489,000 respectively.

No loans have been made to Directors, Officers or Managers and none are contemplated.

No other unquoted investments were held during the year.

All quoted investments are listed on major stock exchanges.

10. Outstanding claims

	2015 US$'000			2014 US$'000		
	Gross	Recoverable	Net	Gross	Recoverable	Net
Reported unpaid claims relating to:						
Open underwriting years:						
2015	2,014	(2,014)	-			
Closed underwriting years						
2014	37	(37)	-	278	(278)	-
2013	-	-	-	-	-	-
2012	876	(876)	-	1,926	(1,926)	-
Previously closed underwriting years	1,867	(1,867)		4,400	(4,400)	-
	4,794	(4,794)	-	6,604	(6,604)	-
Provision for incurred but not reported claims	64	-	64	163	-	163
	4,858	(4,794)	64	6,767	(6,604)	163

At the November 2015 board meeting the Directors closed the 2013 and 2014 underwriting years.

11. Contingent Liability

The Association remains involved in litigation in relation to the loss of the DEMETRA BEAUTY in the Gulf of Oman in January 1991.

There was no material change as regards the DEMETRA BEAUTY during 2015. The Association continues defending various claims in Greece, as it is considered the Association is not liable to pay damages for those claims.

On the basis of current information and legal advice, it is considered that there is no liability on the Association in the case of the DEMETRA BEAUTY and, therefore, the litigation is unlikely to have any material impact on the net financial position of the Association. As in previous years, an estimate of the legal costs likely to be incurred in defending the case has been included in the provision for outstanding claims (see Notes 2(F) and 10).

12. Cash and investments maturity summary

i) Cash and cash equivalents and investments – Cost

	Company		Group	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Interest bearing securities	61,313	69,618	61,313	69,618
Cash and cash equivalents	16,455	11,718	17,143	12,527
Absolute Return Funds	7,737	12,861	7,737	12,861
Equities	27,206	13,141	27,206	13,141
	112,711	**107,338**	**113,399**	**108,147**

ii) Cash and cash equivalents and investments – Fair Value

	Company		Group	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Interest bearing securities	61,478	69,836	61,478	69,836
Cash and cash equivalents	16,455	11,718	17,143	12,527
Absolute Return Funds	8,066	13,174	8,066	13,174
Equities	29,782	17,466	29,782	17,466
Forward contracts	109	-	109	-
	115,890	**112,194**	**116,578**	**113,003**

12. Cash and investments maturity summary (continued)

iii) Maturity Summary

	Company		Group	
	2015 %	2014 %	2015 %	2014 %
Cash and cash equivalents	14.20	10.45	14.71	11.09
Absolute Return Funds	6.96	11.74	6.92	11.66
Equities	25.70	15.57	25.55	15.46
Forward contracts	0.09	-	0.09	-
Interest bearing securities repayable:				
Within one year	1.94	6.58	1.93	6.53
One to three years	35.09	18.72	34.88	18.59
Three to seven years	9.33	35.14	9.28	34.89
Over seven years	6.69	1.80	6.64	1.78
	100.00	**100.00**	**100.00**	**100.00**

iv) Concentration Exposure

	Company		Group	
	2015 %	2014 %	2015 %	2014 %
Bank of New York	53.19	62.29	52.87	61.84
Fund Managers	6.96	11.74	6.92	11.66
Equity holdings	25.70	15.57	25.55	15.46
Barclays Bank	8.79	4.82	8.73	4.79
TMI Liquidity Funds	4.32	3.68	4.30	3.65
RBSI Treasury Funds	0.94	1.83	0.94	1.82
Other banks	0.10	0.07	0.69	0.78
	100.00	**100.00**	**100.00**	**100.00**

12. Cash and investments maturity summary (continued)

v) Currency Exposure

	Company 2015 %	Company 2014 %	Group 2015 %	Group 2014 %
Euro	1.81	0.02	2.39	0.73
Sterling	2.12	0.01	2.11	0.01
US Dollar	96.07	99.97	95.50	99.26
	100.00	**100.00**	**100.00**	**100.00**

The Association has no exposure in any other currencies. All bank balances and cash and cash equivalents are held in American and European institutions.

13. Fixed assets

	Land and Buildings US$'000	Furniture and Fittings US$'000	Total US$'000
Cost			
At 1 January 2015	1,212	61	1,273
Market Value Adjustment	914	-	914
Foreign currency translation adjustment	(125)	(6)	(131)
At 31 December 2015	2,001	55	2,056
Accumulated depreciation			
At 1 January 2015	(763)	(58)	(821)
Depreciation	(51)	(1)	(52)
Foreign currency translation adjustment	79	6	85
At 31 December 2015	(735)	(53)	(788)
Net Book Value			
At 31 December 2015	1,266	2	1,268
At 31 December 2014	449	3	452

Included within land and buildings is investment property of $1,181,000 (2014: $1,343,000).

14. Sundry receivables

	Company		Group	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Claims recoverable from reinsurers	732	2,521	732	2,521
Other receivables and prepayments	4,059	3,771	4,079	3,810
	4,791	**6,292**	**4,811**	**6,331**

15. Amounts due from Members

	Company		Group	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Amounts due after:-				
Less than one month	8,071	(2,131)	8,071	(2,131)
One to two months	(5,147)	(626)	(5,147)	(626)
Two to three months	1,022	-	1,022	-
Over three months	335	6,681	335	6,681
	4,281	**3,924**	**4,281**	**3,924**

16. Payables

	Company		Group	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Members' balances	10,722	8,683	10,722	8,683
Reinsurance balances	7,353	8,639	7,353	8,639
Accrued expenses and deferred income	367	403	396	405
	18,442	**17,725**	**18,471**	**17,727**

17. Statutory Reserve

The minimum solvency margin required in Bermuda for 2015 was US$120,000 (2014: US$120,000), as set out in the Insurance Act 1978, amendments thereto and related Regulations insofar as such provisions relate to accounting and financial reporting matters. An additional US$120,000 of statutory reserves are restricted as set out in the legislation under which the Association is incorporated and may not be distributed by the Association without approval in accordance with the Companies Act.

The provisions of the Isle of Man Insurance Regulations 1986 set the minimum level of solvency required of the Association in the Isle of Man. The level is based on the net premiums written during the year, converted at the sterling rate of exchange prevailing at the year end. The solvency margin required for 2015 was US$484,000 (2014: US$375,000).

As at 31 December 2015 the balance of the Association's funds, including the Statutory Reserve Fund of US$240,000, was US$107.75 million. The Association, therefore, complied with the externally imposed capital requirements to which it is subject.

18. General Reserve

The General Reserve is available to meet the whole or any part of the claims, costs, expenses and outgoings on any closed policy year or years to the extent that the contributions and premiums paid in respect of such year or years are insufficient to meet those claims, costs, expenses and outgoings.

The Directors' reserving policy, agreed in 2013, highlights the need for reserves: to demonstrate financial security; to meet statutory solvency requirements; and to minimise the impact of matters outside the scope of solvency requirements that could materially affect the Association's financial results.

The Association is authorised and regulated by the Bermuda Monetary Authority and the Isle of Financial Services Authority. Its reserves comfortably exceed current requirements in both places (see note 17).

Reserves could, if necessary in the future, also be used to minimise the effect of any material change in the Association's financial results on the level of contributions paid by Members. For example, if the insurance market changed significantly, so that capacity contracted, or if for any other reason reinsurance rates increased sharply, the Association's reserves would allow it to finance a greater retention of risk, to reduce the effect of any rates increase on the membership and to allow adjustment to a higher rate environment by stages.

19. Related party disclosures

The Association 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 Association and the Members.

All but one of the Directors (who is Bermuda resident) are representatives or agents of member companies and other than the insurance and membership interests of the Directors' companies, the Directors have no financial interests in the Association.

Thomas Miller Investment (Isle of Man) Limited acted as Investment Managers on behalf of the Association during the year. Fees for these services are included in the US$2,777,000 Management fee (2014: US$3,428,000) paid to the Manager during the year, which is disclosed in note 6 of the financial statements. These transactions were conducted at an arms length basis.

Cash balances include a holding in the TMI Liquidity Fund PLC which is managed by Thomas Miller Investment (Isle of Man) Limited. The investment is listed on the Channel Islands Securities Exchange and the cost and market value are based on the underlying value of the investments at the date of purchase and the date of the statement of financial position respectively (2015: Cost - US$5,008,000, Market value - US$5,008,000. 2014: Cost - US$4,125,000, Market value - US$4,125,000)

During the prior year the Association held an interest bearing deposit of £50,000 against a letter of credit in place with Barclays on behalf of Hellenic Mutual War Risks Association (Isle of Man) Limited ('HMWRA IOM'). On 31 March 2014, the letter of credit arrangement was terminated and the Association transferred £50,000 to HMWRA IOM in order to set up a guarantee fund.

HMWRA IOM has a Protection of Funds agreement in place with the Association. This agreement would allow HMWRA IOM to take over the business and the provision of insurance by the Association to its members should the political and commercial environment in Bermuda destabilise. The likelihood of such occurrences happening in Bermuda is considered minimal, and HMWRA IOM is therefore expected to remain dormant for the foreseeable future.

While HMWRA IOM remains dormant, the Association bears all expenses for HMWRA IOM with the exception of bank charges. The expenses amounted to £8,083 during the year to 31 December 2015 (2014: £7,961).

20. Financial Risk Management

Credit Risk

Credit risk is the risk of losses caused by other parties failing, in whole or in part, to meet obligations to the Association. Debtor exposure is mitigated because it is widely spread across the membership. This exposure is monitored by means of thrice yearly reports from the Managers to the Board and it is the Association's policy not to confirm renewal to any Member with amounts overdue.

Concentrations of credit risk exist to the extent that, as at 31 December 2015, investments, cash and cash equivalents were held as follows:

20. Financial Risk Management (continued)

	S&P Rating	2015 US$'000	2014 US$'000
Bank of New York	All A- rated at least	61,641	69,886
Fund Managers	Not Rated	8,066	13,174
Equity holdings	Not Rated	29,782	17,466
Barclays Bank	A-	10,182	5,408
TMI Liquidity Funds	AAA	5,008	4,125
Goldman Sachs Funds	AAA	1,089	2,052
Other banks	C	810	892
		116,578	**113,003**

The Association monitors credit risk on a regular basis and manages risk by placing funds with counterparties that have high credit ratings as assigned by international credit rating agencies.

Liquidity Risk
Liquidity risk is the risk of losses caused by assets not being liquid enough to meet obligations of the Association as they fall due. This exposure is monitored regularly by both the Managers and the Board, and significant levels of assets are maintained in very liquid instruments to minimise this exposure.

The table below analyses the Association's debt into relevant maturity groupings based on the remaining years from the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2015 US$'000	2014 US$'000
Within one year	72,821	68,192
One to three years	40,664	21,007
Three to seven years	10,816	39,427
Over seven years	7,751	2,019
	132,052	**130,645**

21. Subsequent Events

The Company and its subsidiary evaluated events and transactions occurring from 1 January 2016, through to 25 May 2016, for potential recognition or disclosure in the notes to the consolidated financial statements.

The Managers believe that there are no post year end events that need to be reflected in the consolidated financial statements or disclosed in the notes to the consolidated financial statements.

MANAGERS AND OFFICERS

Managers

Thomas Miller (Bermuda) Limited

Secretary

Thomas Miller (Bermuda) Limited

Assistant Secretary

Thomas Miller (Isle of Man) Limited

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