



AC-1078

**THE WEST OF ENGLAND SHIP OWNERS  
MUTUAL INSURANCE ASSOCIATION  
(LONDON) LIMITED**

**REPORT AND ACCOUNTS  
FOR THE YEAR ENDED  
20 FEBRUARY 1996**





**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members will be held in the Offices of The Association, Tower Bridge Court, 224-226 Tower Bridge Road, London SE1 2UP, on Wednesday 11 September 1996 at 1400 hours for the following purposes:-

- (1) To approve the Report of the Directors and the Financial Statements for the year ended 20 February 1996.
- (2) To elect Directors.
- (3) To appoint Coopers & Lybrand as Auditors of the Company and to fix their remuneration.
- (4) To transact any other ordinary business of the Company.

By order of the Board,

D J Cross  
Secretary

12 June 1996

NOTE: A Member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll, to vote instead of him. A proxy need not be a Member of the Association. The instrument appointing a proxy shall be left with the Secretary not later than 48 hours before the holding of the Meeting.



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**DIRECTORS**

|                  |                 |
|------------------|-----------------|
| J A Loutsis      | (Chairman)      |
| J F Muirhead     | (Vice Chairman) |
| L Criel          |                 |
| T C Hart         |                 |
| E Kromann        |                 |
| E R Lorenz-Meyer |                 |
| M T Los          |                 |

**MANAGERS**

The West of England Ship Owners Insurance Services Limited

Tower Bridge Court  
224-226 Tower Bridge Road  
London SE1 2UP

**SECRETARY AND REGISTERED OFFICE**

D J Cross

Tower Bridge Court  
224-226 Tower Bridge Road  
London SE1 2UP

Telephone: 0171-716 6000

**REGISTERED NUMBER: 22211**



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**REPORT OF THE DIRECTORS**

The Directors present their report together with the financial statements for the year ended 20 February 1996.

**Activities**

The principal activity of the Association during the year was the run off of the risks of Class II, Freight Demurrage and Defence business. There were no claims paid, and no estimates for outstanding claims are held, for Class III, Ships Officers and Crew Strikes, and Class IV, Port Area Strikes, and the risks of these Classes can be regarded as fully run off.

**Accounts**

The Income and Expenditure Account is set out on page 9 and shows transactions resulting in a net amount receivable from The West of England Ship Owners Mutual Insurance Association (Luxembourg) by way of a reinsurance claim for Class II of US\$340,669 (1995 US\$244,126).

The European Union Council Directive on the Accounts of Insurance Undertakings was implemented into UK law in December 1993. In consequence, the financial statements have been prepared in accordance with Schedule 1, Part I of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 which amend section 255 and schedule 9A of the Companies Act 1985 and which came into effect for periods commencing after 23 December 1994. The prior year figures have been restated to comply with the changes in the presentation of the financial statements introduced by the Regulations. The majority of changes to the financial statements relate to additional disclosure, but where changes in accounting policies have been made the effect is explained in the notes to the financial statements.

**Review of the Business**

**Class II**

Pursuant to the reinsurance agreement with The West of England Ship Owners Mutual Insurance Association (Luxembourg), this Association ceased to insure Class II risks after 20 February 1986 and from that date held all the assets of Class II as trustee for The West of England Ship Owners Mutual Insurance Association (Luxembourg). The business of Class II relating to risks insured prior to 20 February 1986 continued to be reinsured by The West of England Reinsurance (Hamilton) Limited on a quota-share basis with the residual result being fully reinsured by The West of England Ship Owners Mutual Insurance Association (Luxembourg). From 20 February 1992, the reinsurance of Class II by The West of England Reinsurance (Hamilton) Limited ceased.



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**Report of the Directors - continued**

A consolidated policy year statement has been drawn up on the same basis as in previous years and is set out on page 17. This incorporates the assets which were held by Class II of The West of England Reinsurance (Hamilton) Limited at 20 February 1992 and were transferred at that date to International Shipowners Reinsurance Company SA, a wholly owned subsidiary of The West of England Ship Owners Mutual Insurance Association (Luxembourg), and the income and expenditure since attributable to those assets.

The ultimate liability for outstanding and unnotified claims has been statistically projected by an independent actuary and the relevant figures have been incorporated in the consolidated policy year statement referred to above. A number of assumptions have been made in arriving at the projected claims liabilities and the underlying claims estimates on which they are based, and, to the extent that time may alter the validity of those assumptions, the projected figures may vary significantly. The Board and Managers closely monitor the outstanding cases, which now number below 50 (20 February 1995: 80). The projected ultimate deficit of Class II has decreased to US\$1.87 million.

Under the terms of the reinsurance agreement all claims are subject to the approval of The West of England Ship Owners Mutual Insurance Association (Luxembourg).

**Classes III and IV**

Pursuant to the reinsurance agreement with The West of England Ship Owners Mutual Insurance Association (Luxembourg), this Association ceased to insure Class III and Class IV risks after 20 February, 1987 and from that date held all the assets of those Classes as Trustee for The West of England Ship Owners Mutual Insurance Association (Luxembourg). The reinsurance of these Classes by The West of England Reinsurance (Hamilton) Limited ceased on 20 February, 1992. As stated above, there were no transactions in the year for these Classes.

**Directors**

The Directors who are listed on page 1 held office throughout the year. Mr J A Loutsis and Mr M T Los will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

**Managers**

The Association holds, as a trustee for The West of England Ship Owners Mutual Insurance Association (Luxembourg), a minority shareholding in The West of England Ship Owners Insurance Services Limited and is managed by that company under the terms of an Agreement dated 16 February 1982. The Association has no employees. The Managers do not receive any commission in respect of reinsurance arrangements made.



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**Report of the Directors - continued**

**Directors' Responsibilities**

Company Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then 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 and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Directors are responsible for keeping 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 financial statements comply with the Companies Act 1985 as applicable to insurance companies. 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**

Moore Stephens are not to be reappointed as auditors of the Association for the year commencing 20 February 1996. A resolution for the appointment of Coopers & Lybrand and to fix their remuneration will be submitted to the forthcoming Annual General Meeting.

Chairman

12 June 1996



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**REPORT OF THE AUDITORS**

**To the Members of  
The West of England Ship Owners Mutual Insurance Association (London) Limited**

We have audited the financial statements on pages 9 to 16, which have been prepared under the historical cost convention, and the accounting policies set out on pages 6 to 8.

**Responsibilities of Directors and Auditors**

As described on page 4, the Association's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on these statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Association at 20 February 1996 and of the income and expenditure and cash flows for the year ended on that date, and have been properly prepared in accordance with the Companies Act 1985.

We have also examined the appendix on pages 17 and 18 showing the Class II consolidated policy year position. In our opinion this appendix has been properly prepared in accordance with the notes to the appendix, the accounting policies and notes to the financial statements on pages 14 to 16.

*Moore Stephens*  
Moore Stephens  
Chartered Accountants & Registered Auditors  
St. Paul's House  
Warwick Lane  
London EC4P 4BN

12 June 1996



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**ACCOUNTING POLICIES (forming part of the financial statements)**

**General**

The financial statements have been prepared in compliance with the special provisions relating to insurance companies of section 255 of, and Schedule 9A to, the Companies Act 1985. The accounts comply with applicable accounting standards.

**Reinsurance and Pooling Arrangements**

**Class II**

Reinsurance cover for Class II, on an excess of loss basis, has been effected with The West of England Ship Owners Mutual Insurance Association (Luxembourg) since 20 February 1982 and for New Building risks since 20 February 1985.

In exchange for The West of England Ship Owners Mutual Insurance Association (Luxembourg) agreeing on 18th October, 1985 to reinsure the totality of the risks insured by Class II up to 20 February 1986, this Association agreed from that date to hold all the assets pertaining to Class II as trustee for The West of England Ship Owners Mutual Insurance Association (Luxembourg) and to transfer them to that Association on demand. This right of transfer was exercised immediately upon the close of business on 20 February 1986 in respect of the Association's shareholding in the West of England Reinsurance (Hamilton) Limited. The business of Class II ceased on 20 February 1986 save for the purpose of winding up such business.

**Class III and Class IV**

The business of Class III and Class IV ceased on 20 February 1987 save for the purpose of winding up such business, which has been reinsured with The West of England Ship Owners Mutual Insurance Association (Luxembourg). The Association holds all the assets of Classes III and IV as trustee for The West of England Ship Owners Mutual Insurance Association (Luxembourg).

**Class I**

The business of Class I, Protection and Indemnity, ceased from 20 February 1970. Special reinsurance arrangements for the relevant policy years up to and including 1969/70 have been made with The West of England Ship Owners Mutual Insurance Association (Luxembourg), as a result of which all claims payable after that date are recoverable in full either from that Association or other reinsurers. The amounts involved are excluded from the Income and Expenditure Account.





**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**Accounting Policies - continued**

**Basis of Insurance**

Calls are levied on a policy year basis, Members remaining liable for their rateable proportion of any excess of claims and expenses over income in respect of the particular Class in which they are entered, which obligation continues despite the reinsurance arrangements with The West of England Ship Owners Mutual Insurance Association (Luxembourg). Claims are included in policy years by reference to the date of the incident and reinsurance recoveries are allocated accordingly. Reinsurance premiums are charged to the policy year to which the cover relates.

**Premiums**

Calls, premiums and releases are credited to the Income and Expenditure Account when invoiced and are shown after provision for doubtful debts. Reinsurance premiums are charged to the Income and Expenditure Account on an accruals basis.

**Investment Income**

Bank and other interest is credited to the Income and Expenditure Account as earned. For Class II, investment income may be allocated to policy years at the discretion of the Directors.

**Debtors**

Full provision is made for all amounts owing which are more than one year in arrears and in respect of other balances considered to be doubtful.

**Claims**

Claims are charged to the Income and Expenditure Account when they have been passed by the Directors. Credit is taken for reinsurance recoveries due in respect of claims accounted for at the balance sheet date.

**Claims Outstanding**

Statistical projections are calculated for claims outstanding at the balance sheet date based upon paid claims and estimates of notified outstanding claims. Significant delays may occur before claims are settled and, accordingly, a substantial measure of experience and judgement is required in assessing the ultimate cost of outstanding and unnotified claims, which cannot be known with certainty at the balance sheet date. The figures include provision for claims handling costs.



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**Accounting Policies - continued**

**Management and Other Expenses**

Management and other expenses are dealt with on an accruals basis and allocated to the respective Class in accordance with the costs incurred.

**Foreign Currencies**

Transactions in currencies other than US Dollars are recorded using the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in currencies other than US Dollars are translated using the rate of exchange ruling at the balance sheet date. Exchange differences on translation are included in the Income and Expenditure Account.



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**INCOME & EXPENDITURE ACCOUNT at 20 February 1996**

**TECHNICAL ACCOUNT - GENERAL BUSINESS**

|   | Notes | 1996<br>Class II<br>US\$ | 1995<br>Class II<br>US\$ |
|---|-------|--------------------------|--------------------------|
| Gross premiums written  | 1     | -                        | 2,746                    |
| Outward reinsurance premiums  |       | -                        | -                        |
|   |       | <hr/>                    | <hr/>                    |
| Earned premiums, net of reinsurance                                       |       | -                        | 2,746                    |
| Allocated investment return transferred<br>from the non-technical account |       | (993)                    | 571                      |
|   |       | <hr/>                    | <hr/>                    |
| Total technical income  |       | (993)                    | 3,317                    |
|   |       | <hr/>                    | <hr/>                    |
| Gross claims paid   |       | (258,047)                | (156,340)                |
| Reinsurers' share   |       | 258,047                  | 156,340                  |
|   |       | <hr/>                    | <hr/>                    |
| Net claims paid   |       | -                        | -                        |
|   |       | <hr/>                    | <hr/>                    |
| Gross change in the provision for claims                                  |       | 312,897                  | 377,460                  |
| Reinsurers' share   |       | (312,897)                | (377,460)                |
|   |       | <hr/>                    | <hr/>                    |
| Net change in the provision for claims                                    |       | -                        | -                        |
|   |       | <hr/>                    | <hr/>                    |
| Claims incurred net of reinsurance  |       | -                        | -                        |
| Reinsurers' share of other expenditure                                    |       | 82,622                   | 84,962                   |
| Net operating expenses  | 2     | (81,629)                 | (88,279)                 |
|   |       | <hr/>                    | <hr/>                    |
| Total technical charges   |       | 993                      | (3,317)                  |
|   |       | <hr/>                    | <hr/>                    |
| BALANCE ON THE TECHNICAL ACCOUNT  |       | -                        | -                        |
|   |       | =====                    | =====                    |



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**INCOME & EXPENDITURE ACCOUNT at 20 February 1996**

**NON-TECHNICAL ACCOUNT**

|   | Notes | 1996<br>Class II<br>US\$ | 1995<br>Class II<br>US\$ |
|---|-------|--------------------------|--------------------------|
| Balance on the general business<br>technical account                                    |       | -                        | -                        |
| Investment income   |       | 1,232                    | 2,072                    |
| Allocated investment return transferred<br>to the general business technical<br>account |       | 993                      | (571)                    |
| Other charges   |       | (2,186)                  | (1,459)                  |
| <b>BALANCE ON ORDINARY ACTIVITIES BEFORE TAX</b>  |       | <b>39</b>                | <b>42</b>                |
| Tax on profit on ordinary activities  | 3     | (39)                     | (42)                     |
| <b>BALANCE ON ORDINARY ACTIVITIES AFTER TAX</b>   |       | <b>-</b>                 | <b>-</b>                 |
|   |       | =====                    | =====                    |

There were no Income & Expenditure Account movements for Classes III and IV. There were no recognised gains or losses other than those shown on the above Income & Expenditure Account.



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**BALANCE SHEET at 20 February 1996**

|  | Notes | 1996<br>US\$           | 1995<br>US\$           |
|--|-------|------------------------|------------------------|
| <b>ASSETS</b>  |       |                        |                        |
| <b>Investments</b>   |       |                        |                        |
| Financial investments  | 4     | 1,759                  | 1,800                  |
| <b>Debtors</b>   |       |                        |                        |
| Debtors arising out of direct insurance<br>operations (Members' debtors) | 5     | 3,490                  | 3,000                  |
| Debtors arising out of reinsurance<br>operations                         |       | -                      | 11,962                 |
| Other debtors  | 6     | 568                    | 1,960                  |
| <b>Other Assets</b>  |       |                        |                        |
| Cash at bank and in hand   |       | 53,199                 | 9,329                  |
| <b>Prepayments and accrued income</b>                                    |       |                        |                        |
| Accrued interest   |       | 59                     | 174                    |
| <b>TOTAL ASSETS</b>  |       | <u>59,075</u><br>===== | <u>28,225</u><br>===== |

CHAIRMAN

DIRECTOR

12 June 1996



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED**  
(Limited by Guarantee)

**BALANCE SHEET at 20 February 1996**

|   | Notes | 1996<br>US\$ | 1995<br>US\$ |
|---|-------|--------------|--------------|
| <b>LIABILITIES</b>  |       |              |              |
| <b>Capital and Reserves</b>                               |       |              |              |
| Income & Expenditure Account                              |       | -            | -            |
|   |       | <hr/>        | <hr/>        |
|   |       | -            | -            |
|   |       | <hr/>        | <hr/>        |
| <b>Technical Provisions</b>                               |       |              |              |
| Claims outstanding  | 7     |              |              |
| - gross amount  |       | 438,603      | 751,500      |
| - reinsurance   |       | (438,603)    | (751,500)    |
|   |       | <hr/>        | <hr/>        |
|   |       | -            | -            |
|   |       | <hr/>        | <hr/>        |
| <b>Provisions for Other Risks and Charges</b>             |       |              |              |
| Taxation  | 3     | -            | 26           |
|   |       | <hr/>        | <hr/>        |
| <b>Creditors</b>  |       |              |              |
| Arising out of direct insurance operations                |       | 10,659       | 7,134        |
| Arising out of reinsurance operations                     |       | 42,396       | 10,619       |
| Amounts owed to credit institutions                       |       | -            | 2,582        |
| Other creditors including taxation<br>and social security |       | 6,020        | 7,864        |
|   |       | <hr/>        | <hr/>        |
|   |       | 59,075       | 28,199       |
|   |       | <hr/>        | <hr/>        |
| <b>TOTAL LIABILITIES</b>                                  |       | 59,075       | 28,225       |
|   |       | <hr/> <hr/>  | <hr/> <hr/>  |



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**CASH FLOW STATEMENT for the year ended 20 February 1996**

|  | Notes | 1996<br>US\$ | 1995<br>US\$ |
|--|-------|--------------|--------------|
| <b>Operating Activities</b>                            |       |              |              |
| Premiums received from Members                         |       | -            | 8,959        |
| Reinsurance  |       | 381,722      | 245,066      |
| Claims paid  |       | (254,522)    | (149,446)    |
| Interest received                                      |       | 1,347        | 829          |
| Other operating cash payments                          |       | (82,095)     | (112,640)    |
|  |       | <hr/>        | <hr/>        |
| Net cash inflow/(outflow) from<br>operating activities | 9     | 46,452       | (7,232)      |
| Corporation Tax paid                                   |       | -            | -            |
| Net cash flow from investing activities                |       | -            | -            |
|  |       | <hr/>        | <hr/>        |
| Increase/(decrease) in cash<br>and cash equivalents    | 9     | 46,452       | (7,232)      |
|  |       | <hr/> <hr/>  | <hr/> <hr/>  |



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**NOTES (forming part of the financial statements)**

**1. Gross Premiums**

Gross premiums written includes recoveries of amounts previously provided and release of provisions for bad and doubtful debts.

**2. Net Operating Expenses**

|                                     | 1996<br>US\$ | 1995<br>US\$ |
|-------------------------------------|--------------|--------------|
| Auditors' remuneration              | 7,690        | 11,469       |
| Other services provided by Auditors | 1,791        | 1,488        |
| Directors' fees                     | 31,037       | 30,848       |
| Other operating expenses            | 41,111       | 44,474       |
|                                     | <hr/>        | <hr/>        |
|                                     | 81,629       | 88,279       |
|                                     | =====        | =====        |

**3. Taxation**

The charges in the Income and Expenditure Account represent UK Corporation Tax on taxable interest and investment income at 25% (1995 : 25%) and include provision for deferred tax, where applicable. The U.K. tax liabilities of this Association and of The West of England Ship Owners Mutual Insurance Association (Luxembourg) and its subsidiaries are subject to an agreement with the Inland Revenue whereby tax is accounted for by the West of England Ship Owners Mutual Insurance Association (Luxembourg) on behalf of all the companies concerned. The charges shown are calculated as if this Association were taxed on a stand-alone basis. Liabilities shown are owed, as reimbursement, to The West of England Ship Owners Mutual Insurance Association (Luxembourg).

|                         | 1996<br>US\$ | 1995<br>US\$ |
|-------------------------|--------------|--------------|
| Corporation Tax charged | 39           | 42           |
| Deferred Tax charged    | -            | -            |
|                         | <hr/>        | <hr/>        |
|                         | 39           | 42           |
|                         | =====        | =====        |

The provision for Corporation Tax is \$39 (1995: \$42).





**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**NOTES (forming part of the financial statements)**

| 4. Financial Investments   | Cost         |              | Directors' Valuation |              |
|--|--------------|--------------|----------------------|--------------|
|  | 1996<br>US\$ | 1995<br>US\$ | 1996<br>US\$         | 1995<br>US\$ |
| Unquoted investments   | 1,759        | 1,800        | 1,856                | 1,900        |
|  | =====        | =====        | =====                | =====        |
| <b>5. Members' Debtors</b>   |              |              |                      |              |
|  |              | 1996<br>US\$ |                      | 1995<br>US\$ |
| Amounts falling due within one year  |              |              |                      |              |
| Gross Members' debts   |              | 9,009        |                      | 6,003        |
| Less provision for doubtful debts  |              | (5,519)      |                      | (3,003)      |
|  |              | -----        |                      | -----        |
|  |              | 3,490        |                      | 3,000        |
|  |              | =====        |                      | =====        |
| <b>6. Other Debtors</b>  |              |              |                      |              |
|  |              | 1996<br>US\$ |                      | 1995<br>US\$ |
| Amount due from The West of England Ship Owners Insurance Services Limited |              | -            |                      | 1,087        |
| Other debts  |              | 568          |                      | 873          |
|  |              | -----        |                      | -----        |
|  |              | 568          |                      | 1,960        |
|  |              | =====        |                      | =====        |

**7. Claims Outstanding**

Claims outstanding represents the projected cost of outstanding and unnotified claims for all policy years. The figures are calculated with the assistance of an external actuary and include provision for claims handling costs. In arriving at these figures a number of important assumptions have been made and to the extent that time may alter the validity of those assumptions, the projected figures may vary significantly.

**8. Net Assets**

The assets of this Association are held on trust for The West of England Ship Owners Mutual Insurance Association (Luxembourg); the net balance due to that Association is included above in creditors arising out of reinsurance operations.



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)**

**NOTES (forming part of the financial statements)**

**9. Notes to the Cash Flow Statement**

Reconciliation of net income and expenditure to net cashflow from operating activities.

|   |        |
|---|--------|
|   | US\$   |
| Income and expenditure as stated        | -      |
| Valuation adjustments on investments    | 41     |
| Decrease in debtors                     | 12,979 |
| Increase in creditors                   | 33,432 |
|   | <hr/>  |
| Net cash flow from operating activities | 46,452 |
|   | =====  |

Analysis of changes in cash and cash equivalents during the year.

|                             |        |
|-----------------------------|--------|
|                             | US\$   |
| Balance at 20 February 1995 | 6,747  |
| Net cash inflow             | 46,452 |
|                             | <hr/>  |
| Balance at 20 February 1996 | 53,199 |
|                             | =====  |

**10. The West of England Ship Owners Insurance Services Ltd.**

The Association holds 11% of the Ordinary shares of £1 each of The West of England Ship Owners Insurance Services Limited as trustee for The West of England Ship Owners Mutual Insurance Association (Luxembourg). The West of England Ship Owners Insurance Services Limited provides insurance services for this and other Associations.

**11. Guarantee**

Under the Memorandum of Association the Association is limited by guarantee not exceeding £5 per Member for every 100 tons or part of 100 tons entered.



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee) and THE WEST OF ENGLAND  
REINSURANCE (HAMILTON) LIMITED**

**APPENDIX I - Class II Consolidated Policy Year Statement at 20 February 1996  
for all years up to and including 1985/86 (Note 2)**

| US\$'000   | 80/81<br>& Prior | 81/82 | 82/83 | 83/84 | 84/85 | 85/86 | Policy<br>Year Reserve<br>Account | Allocation<br>Account (Note 3) | Total   |
|--|------------------|-------|-------|-------|-------|-------|-----------------------------------|--------------------------------|---------|
| <b>CALLS</b>   |                  | 5,873 | 6,101 | 5,536 | 4,768 | 4,281 | 12,642                            |                                |         |
| Less Reinsurance<br>Premiums                                       |                  | (375) | (418) | (424) | (452) | (348) |                                   |                                |         |
|  |                  | 5,498 | 5,683 | 5,112 | 4,316 | 3,933 |                                   |                                |         |
| Investment Income<br>after taxation                                |                  | 110   | 101   | 193   | 153   | -     |                                   | 1,511                          |         |
| Differences on exchange  |                  | 380   | 294   | 125   | (254) | -     |                                   |                                |         |
|  |                  | 5,988 | 6,078 | 5,430 | 4,215 | 3,933 |                                   |                                |         |
| Management Expenses<br>(including audit fee<br>and Directors' fees |                  | (557) | (690) | (804) | (644) | (990) | (2,116)                           |                                |         |
|  |                  | 5,431 | 5,388 | 4,626 | 3,571 | 2,943 | 10,526                            | 1,511                          |         |
| <b>CLAIMS</b>  |                  |       |       |       |       |       |                                   |                                |         |
| Claims passed and advances<br>less Reinsurance<br>recoveries       |                  | 5,733 | 4,879 | 3,622 | 3,929 | 1,970 |                                   |                                |         |
| <b>BALANCE before<br/>outstanding and<br/>unnotified claims</b>    | (15,292)         | (302) | 509   | 1,004 | (358) | 973   | 10,526                            | 1,511                          | (1,429) |
| <b>PROJECTED<br/>outstanding and<br/>unnotified claims</b>         | (101)            | (49)  | (14)  | (31)  | (113) | (131) |                                   |                                | (439)   |
| <b>PROJECTED<br/>BALANCE</b>                                       | (15,393)         | (351) | 495   | 973   | (471) | 842   | 10,526                            | 1,511                          | (1,868) |



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee) and THE WEST OF ENGLAND  
REINSURANCE (HAMILTON) LIMITED**

**NOTES to the Class II Consolidated Policy Year Statement at 20 February 1996.**

1. This appendix combines the results of Class II of The West of England Ship Owners Mutual Insurance Association (London) Limited with Class II of The West of England Reinsurance (Hamilton) Limited which was, until 20 February 1986, wholly owned by the Association and which undertook reinsurance of the Association until 20 February 1992.
2. Until 20 February 1984, all accounting records were maintained in sterling and in so far as the figures at that date are included above, they have been translated into US Dollars at the rate ruling on 20 February 1984.
3. The Allocation Account, represents investment income earned and exchange differences for the eleven years ended 20 February 1996.
4. The figures for projected outstanding and unnotified claims represent the projected ultimate liabilities remaining for the policy years shown. In arriving at these figures a number of important assumptions have been made and to the extent that time may alter the validity of those assumptions, the projected figures may vary significantly.