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## Directors

D.J.C. Habgood  
Chairman  
Albion Reefers Ltd.

R.A.F. Buchanan  
James Fisher Tankships Ltd.

G.D.S. Dunlop  
P&O European Ferries Ltd.

Rear Admiral P.B. Rowe C.B.E., L.V.O.  
Corporation of Trinity House

B.N. Swire  
John Swire & Sons Ltd.

Managers  
Charles Taylor & Co. Limited



## Report of the Directors

The Directors have pleasure in presenting the Report and Accounts of the Association for the year ended 20th February 1999.

### Principal activities

The Association's principal activities during the year continued to be the insurance and reinsurance of war and related risks which are excluded from the standard marine policy.

### Review of the year

The Combined Group's reinsurance was renewed at 20th February 1998 on the expiring rates; the Association's own rates of advance contribution therefore remained unchanged, as did the rates of reinsurance premium paid to the Association by the Canadian Shipowners Mutual Assurance Association.

At the end of the year the contingency fund stood at £5.18 million, up from £5.13 million the previous year.

No claims were reported during the year by any of the clubs in the Combined Group.

The total value of ships entered at the close of the year was approximately £3.6 billion, of which reinsured Canadian ships represented approximately £1.25 billion.

### Future developments

The Association will continue to pursue its existing activities.

### Directors

The Directors of the Association are as shown on page 2.

Mr. D.J.C. Habgood retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election.

### Investment

Your Board has established investment guidelines to ensure the prudent and conservative management of the Association's reserves. They ensure that the assets are suitable and are adequately diversified.

The year saw significant volatility in both bond and equity markets, but it ended with bond market yields at levels not seen since the 1960s and equity markets at record levels. An overall return of 10.4% was achieved on the Association's funds.

### Year 2000 and the Euro

Testing of the Association's own business critical and non-critical systems, along with any necessary remedial action, will have been completed by the middle of 1999. A contingency plan is also being prepared and will be validated to ensure business continuity in the unlikely event that the Association's, or external suppliers', systems fail during the 1999/2000 roll over.

The Association intends to treat the Euro as it would any foreign currency and therefore does not expect to incur any costs as a result of its introduction.

## Report of the Directors Continued

### Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 6, is made for the purpose of clarifying the respective responsibilities of the Directors and auditors in the preparation of the Accounts.

Company law requires the Directors to prepare Accounts for each financial year in accordance with the provisions of the Companies Act 1985 applicable to insurance companies. In preparing those Accounts 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 disclosed and explained in the Accounts; and
- prepare the Accounts on a 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 which enable them to ensure that the Accounts comply with the Companies Act 1985.

They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

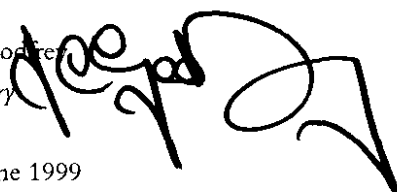
Following the merger of Coopers & Lybrand and Price Waterhouse from 1st July 1998, Coopers & Lybrand resigned as auditors in favour of the new firm PricewaterhouseCoopers, and the Directors appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation.

A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be proposed at the Annual General Meeting.

By order of the Board,

J.C. Godfrey  
Secretary

8th June 1999



## Accounts

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## Auditors' Report

*To the Members of The Standard Steamship Owners'  
Mutual War Risks Association Limited*

We have audited the financial statements set out on pages 7 to 14 which have been prepared under the historical cost convention (as modified by the revaluation of investments) and the accounting policies set out on pages 11 and 12.

### **Respective responsibilities of Directors and Auditors**

The directors are responsible for preparing the Annual Report, including as described on pages ~~3~~ ~~and 4~~, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes the 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 misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the 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 as at 20th February 1999 and of its surplus, total recognised gain and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London

8th June 1999

# Income and Expenditure Account

for the year ended 20th February 1999

	Notes	1999 £ 000's	1998 £ 000's
<b>Technical account-general business</b>			
<b>Income</b>			
Gross premiums written including contributions	3	167	156
Outward reinsurance premiums	4	(110)	(220)
Earned premiums, net of reinsurance		57	(64)
Allocated investment return transferred from the non-technical account		200	219
<i>Total income</i>		<b>257</b>	<b>155</b>
<b>Expenditure</b>			
Claims paid		–	2
Reinsurers' share		(3)	–
Net claims paid		(3)	2
Change in provision for claims		–	–
Reinsurers' share		–	–
Change in net provision for claims		–	–
Claims incurred, net of reinsurance		(3)	2
Net operating expenses	5	207	209
<i>Total expenditure</i>		<b>204</b>	<b>211</b>
<b>Non-technical account</b>			
Balance on general business technical account		53	(56)
Investment income	6	576	349
Exchange losses		(126)	(21)
Investment expenses and charges including losses arising on realisation of investments		(5)	(6)
United Kingdom corporation tax	7	(245)	(103)
		200	219
Allocated investment return transferred to the general business technical account		(200)	(219)
<b>Excess/(deficit) of income over expenditure transferred to/(from) contingency fund</b>		<b>53</b>	<b>(56)</b>

The income, expenditure and results for the year are wholly derived from continuing activities.  
There is no material difference between the income and expenditure figures stated and the historical cost equivalent.

## Contingency Fund

for the year ended 20th February 1999

	1999 £ 000's	1998 £ 000's
Balance at beginning of year	5,131	5,187
Transfer from/(to) non-technical account	53	(56)
Balance at end of year	5,184	5,131

## Statement of Total Recognised Gains and Losses

for the year ended 20th February 1999

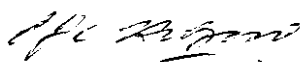
	1999 £ 000's	1998 £ 000's
Transfer from/(to) non-technical account	53	(56)
Movement in revaluation reserve	132	76
	185	20

## Balance Sheet

20th February 1999

	Notes	1999 £ 000's	1998 £ 000's
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	9	4,914	5,032
		4,914	5,032
<b>Debtors</b>			
Debtors arising out of direct insurance operations		1	1
Other debtors		—	—
		1	1
<b>Other assets</b>			
Cash at bank and in hand		853	287
Prepayments and accrued income		87	122
		940	409
<b>Total assets</b>		<b>5,855</b>	<b>5,442</b>
<b>Liabilities</b>			
<b>Reserves</b>			
Revaluation reserve	10	249	117
Contingency fund		5,184	5,131
		5,433	5,248
<b>Technical provisions</b>			
Claims outstanding – gross open year funds		—	—
<b>Balance available to meet outstanding and future claims</b>		<b>5,433</b>	<b>5,248</b>
<b>Creditors</b>			
Creditors arising out of direct insurance operations		—	—
Other creditors including taxation		368	62
		368	62
Accruals and deferred income		54	132
		422	194
<b>Total liabilities</b>		<b>5,855</b>	<b>5,442</b>


D.J.C. Habgood Director



G.D.S. Dunlop Director

Charles Taylor &amp; Co Limited Managers

8th June 1999

 CHARLES TAYLOR & CO LIMITED



## Cash Flow Statement

for the year ended 20th February 1999

	Notes	1999 £ 000's	1998 £ 000's
<b>Operating activities</b>			
Net cash inflow from operating activities	11	79	21
Taxation paid		(203)	(78)
		(124)	(57)
<b>Cash flows were invested as follows</b>			
Increase/(decrease) in cash holdings		566	(915)
Net portfolio investments			
Fixed income securities		(2,188)	858
Equities		1,498	—
Net investment of cash flows		(124)	(57)
<b>Movement in opening and closing portfolio investments</b>			
Net cash inflow/(outflow) for the year		566	(915)
Portfolio investments	12	(690)	858
Movement arising from cash flows		(124)	(57)
Changes in market values		572	81
Total movement in portfolio investments		448	24
Portfolio investments at 21st February 1998		5,319	5,295
Portfolio investments at 20th February 1999		5,767	5,319

## Notes to the Accounts

### 1. Constitution

The Association is limited by guarantee. The members of the Association are liable for their rateable proportion of any deficiency of claims and expenses in excess of contributions and the Board of Directors decides whether any surplus is retained in the contingency fund for the purposes of the Association or returned to members.

### 2. Accounting Policies

The Accounts have been prepared in accordance with applicable accounting standards in the United Kingdom and with Section 255 and Schedule 9A of the UK Companies Act 1985 which includes the requirements of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 ("the Regulations").

The Regulations use "Profit and Loss Account" as a heading, which is replaced by "Income and Expenditure Account" throughout these Accounts consistent with the mutual status of the Association. All references to Income and Expenditure Account in these Accounts have the same meaning as Profit and Loss Account in the Regulations. The contingency fund represents the free reserves of the Association and is established in accordance with Rule 32 of the Rules of the Association.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### *(a) Basis of accounting*

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain assets as required by the Regulations.

#### *(b) Fund basis*

The transfer to or from the contingency fund is determined using a fund basis of accounting as the Association is unable to obtain sufficient information in respect of claims of the open policy years and the Directors do not believe the annual basis is appropriate. Under the fund basis premiums and claims are allocated to each policy year beginning 20th February, the results of which are determined and reported when the policy year is closed. Each policy year is regarded as closed after two years of development, at which time any surpluses are recognised. Deficiencies on open policy years are provided for as soon as they become anticipated.

(i) Contributions and additional premiums are credited to the Income and Expenditure Account as and when charged to members. Contributions for periods after the Balance Sheet date are treated as prepaid and not included in the Income and Expenditure Account.

(ii) The insurance fund is included within the technical provision for claims outstanding and is assessed after making full provision for the estimated ultimate costs of all claims, including the related expenses, whether reported or not, in respect of each policy year. The level of the insurance fund is established using statistical projections of the amounts which the Association expects the ultimate settlement of claims will cost, based on the current facts and circumstances. Account is also taken of estimated future contributions and premiums, including supplementary contributions receivable.

(iii) Claims incurred comprise all claims passed by the Board, advances made on account of claims and related expenses paid in the year including the Association's share of claims under pooling agreements and changes in provisions for outstanding claims of closed policy years, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years and any deficiency arising from open policy years.

## Notes to the Accounts Continued

*(c) Reinsurance premiums*

Reinsurance premiums include premiums paid in respect of the reinsurance agreement with market underwriters.

*(d) Interest and investment income*

Interest on fixed-interest securities and bank deposits is included on an accruals basis.

*(e) Profit and loss on sale of investments*

Profits and losses on sales of investments are included when realised.

*(f) Investments*

The investments held by the Association have been disclosed at market value in the Balance Sheet to provide a more appropriate valuation considering the type of investment held. The difference arising on the revaluation of these investments has been transferred to a revaluation reserve fund and shown separately in the Balance Sheet.

*(g) Foreign currencies*

Assets and liabilities in foreign currencies are translated at the Sterling rate of exchange at the Balance Sheet date. Revenue transactions in foreign currencies are translated into Sterling at the rate applicable for the week in which the transaction took place. Exchange differences are included in the Income and Expenditure Account.

*(h) General administration expenses*

General administration expenses, including the Managers' remuneration, are included on an accruals basis.

*(i) Taxation*

Taxation provided is that which became chargeable during the year together with deferred taxation (calculated by the liability method) on all short-term timing differences.

*(j) Allocation of investment return*

All investment returns are allocated to the technical account.

**3. Gross premiums written including contributions**

	1999 £ 000's	1998 £ 000's
Annual contributions	162	156
Adjustments for previous policy years	1	—
Annual premiums	4	—
Adjustments for previous policy years	—	—
<b>Total gross premiums written including contributions</b>	<b>167</b>	<b>156</b>

**4. Outward reinsurance premiums**

	1999 £ 000's	1998 £ 000's
Annual premiums	190	266
Adjustments for previous policy years	(80)	(46)
<b>Reinsurance premiums paid</b>	<b>110</b>	<b>220</b>

5. Net operating expenses	1999 £ 000's	1998 £ 000's
<b>Administrative expenses</b>		
Managers' remuneration	170	169
General administration costs	22	23
Directors' fees	3	3
Auditors' remuneration – audit	6	5
Auditors' remuneration – other services	6	9
<b>Net operating expenses</b>	<b>207</b>	<b>209</b>

6. Investment income	1999 £ 000's	1998 £ 000's
Income from equities	4	–
Income from fixed-interest securities	285	322
Deposit interest	10	21
Gains arising on realisation of investments	277	6
<b>Total investment income</b>	<b>576</b>	<b>349</b>

7. United Kingdom corporation tax	1999 £ 000's	1998 £ 000's
Corporation tax at 28.3% (1998 25.7%)	181	103
Under provision in prior years	64	–
<b>Corporation tax</b>	<b>245</b>	<b>103</b>

Corporation tax is charged on the Association's investment income. The mutual activities of the Association are not subject to corporation tax.

8. Directors' emoluments	1999 £ 000's	1998 £ 000's
Fees	3	3

9. Other financial investments	1999 £ 000's	1998 £ 000's
<b>At market value</b>		
Debt securities and other fixed-interest securities	3,166	5,032
Shares and other variable-yield securities and unit trusts	1,748	–
<b>Total investments at market value</b>	<b>4,914</b>	<b>5,032</b>
<b>At cost</b>		
Debt securities and other fixed-interest securities	2,958	4,914
Shares and other variable-yield securities and unit trusts	1,707	–
<b>Total investments at cost</b>	<b>4,665</b>	<b>4,914</b>

Included in the market values above are amounts in respect of listed investments as follows. Other investments comprise readily tradable mutual funds made up of listed securities.

	1999 £ 000's	1998 £ 000's
Debt securities and other fixed-interest securities	3,166	5,032
Shares and other variable-yield securities and unit trusts	407	–
	<b>3,573</b>	<b>5,032</b>

## Notes to the Accounts Continued

10. Revaluation reserve	1999 £ 000's	1998 £ 000's
Balance at beginning of year	117	41
Movement arising on revaluation	132	76
Balance at end of year	249	117

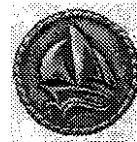
11. Net cash inflow from operating activities	1999 £ 000's	1998 £ 000's
Excess/(deficit) of income over expenditure	53	(56)
Change in provision for claims	—	—
Reinsurers' share	—	—
Taxation	245	103
Net realised (gains)/losses on sale of investments	(273)	(4)
Decrease/(increase) in debtors	35	(29)
Increase in creditors	19	7
Net cash inflow from operating activities	79	21

12. Portfolio investments	1999 £ 000's	1998 £ 000's
Purchase of fixed-income securities	1,518	1,696
Purchase of equities	1,498	—
Sale of fixed-income securities	(3,706)	(838)
Sale of equities	—	—
Net cash flow on portfolio investments	(690)	858

13. Movement in cash, portfolio investments and financing	1999 £ 000's	1998 £ 000's
<i>Cash in hand, at bank</i>		
Balance at 21st February 1998	287	1,202
Cash flow	566	(915)
Balance at 20th February 1999	853	287
<i>Fixed-income securities</i>		
Balance at 21st February 1998	5,032	4,093
Cash flow	(2,188)	858
Changes to market value	322	81
Balance at 20th February 1999	3,166	5,032
<i>Equities</i>		
Balance at 21st February 1998	—	—
Cash flow	1,498	—
Changes to market value	250	—
Balance at 20th February 1999	1,748	—



TO ALL MEMBERS

8th June 1999

Dear Sirs,

**ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 20TH FEBRUARY 1999**

This year's Report and Accounts are set out on the following pages, together with the Notice of the Annual General Meeting.

This is the fourth year that the Accounts include the P&I Class. However, owing to the reinsurance arrangements of both the P&I and Defence Classes, the Report and Accounts of Standard Europe do not give the full picture of the affairs of either Class. The full picture will be seen in the Report and Accounts of Standard Bermuda, Standard Europe's parent, which will include the consolidated P&I and Defence Class positions.

The Standard Bermuda Report and Accounts will be published in early August and will be sent to all members.

Yours faithfully,

A.J. GROOM  
Director  
Charles Taylor & Co. Ltd

The Managers' London Agents **Charles Taylor & Co Ltd**  
International House, 1 St Katharine's Way, London E1 9UN  
Telephone 0171 488 3494, Fax 0171 481 9545, Telex 883555 Adno G  
Registered in England No 2561548

**The Standard Steamship Owners'  
Protection and Indemnity Association (Europe) Ltd**  
Registered in England No 17864



## Directors

## Notice of Meeting

M.A. Muller  
Chairman  
Carnival Cruise Lines

B.D. Fert  
Vinalmar Compagnie de Navigation

D.J.C. Habgood  
Albion Reefers Limited

A.J. Hawkes  
Rachid Fares

S. Pinto  
Coeclerici Shipping N.V.

G.F. Swaine  
Furness Withy (Chartering) Ltd  
(Resigned 26.11.98)

B.N. Swire  
John Swire & Sons Ltd

Managers  
Charles Taylor & Co. (Bermuda)

*To the Members of The Standard Steamship Owners'  
Protection and Indemnity Association (Europe)  
Limited*

Notice is hereby given that the one hundred and Sixteenth Annual General Meeting of the Members will be held at International House, 1 St. Katharine's Way, London E1 9UN on Thursday 25th November 1999 at 9.35 a.m.

### *Business*

To adopt the Report and Accounts.

To re-appoint PricewaterhouseCoopers as Auditors, and to authorise the Directors to fix their remuneration.

To elect Directors to replace those who retire in accordance with the Articles of Association.

Any other business.

By order of the Board,

J.C. Godfrey  
Secretary



8th June 1999