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ANNUAL REPORT AND ACCOUNTS 2009

THE STANDARD STEAMSHIP OWNERS' MUTUAL WAR RISKS ASSOCIATION LIMITED

CONTENTS

B N Swire
Chairman
John Swire & Sons Ltd.

Rear Admiral Sir J de Halpert, KCVO CB
Corporation of Trinity House

G P Mansbridge
P&O Ferries Ltd

A J Groom
Manager

Registered in England
Company number 127257

NOTICE OF MEETING

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

Notice is hereby given that the 96th Annual General Meeting of the Members will be held at International House, 1 St. Katharine's Way, London E1W 1UT on 11 November 2009.

Business

To adopt the Report and Accounts.

To reappoint PricewaterhouseCoopers LLP as auditors and to authorise the directors to fix their remuneration. To re-elect the directors who retire in accordance with the Articles of Association.

Any other business.

By order of the board,
Charles Taylor & Co Limited
Secretary
08 May 2009

The directors have pleasure in presenting the Report and Accounts of the club for the year ended 20 February 2009.

Principal activities
The club's principal activities during the year continued to be the insurance and reinsurance of war and related risks.

Business review of the year
The club's rates of advance contribution reduced by 25% with effect from 20 February 2008 in line with its reinsurance costs. Two additional premium areas were added, five amended and two deleted during the year. No new incidents which could give rise to claims were notified to the club during the year, nor were any such new incidents reported by any of the other clubs in the Combined Group. The claim payments and the provisions are in respect of the incident reported by one of the other clubs in the Combined Group which occurred in November 2005.

As set out in the income and expenditure account, expenditure has exceeded income by £0.282m (2008:£0.071m deficit). Total reserves available for claims stand at £6.134m, compared with £6.416m last year.

The total value of ships entered at the close of the 2008/09 policy year was approximately £6.15 billion (2008:£4.88 billion), of which reinsured Canadian ships represented approximately £3.73 billion (2008:£3.02 billion).

Strategy
The club will continue to pursue its existing activities.

Principal risks and uncertainties
The principal risks arise from inaccurate pricing, fluctuations in the frequency and severity of claims compared with expectation, inadequate reserving and impairment of financial assets. The club has developed a business model that uses Individual Capital Assessment principles to manage its capital requirements to support the business and to meet the requirements of members and regulators.

Key performance indicators (KPIs)
The board monitors the progress of the club by reference to the following KPIs:

	2009	2008	
Reserves	£6.134m	£6.416m	
Solvency ratio	313.00%	273.07%	Ratio of Reserves to the ICG issued by the FSA

Directors
The directors of the club are as shown on page 1 of this report.

Barnaby Swire retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Investments
The club's portfolio lost 2.9% during the year, compared to a benchmark return of minus 10.2%. The losses were sustained principally in the club's equity portfolio and to a lesser extent in the alternative investments. As at 29 February 2008 the club's portfolio had allocations of 55% in bonds, 26% in equities, 11% in absolute return hedge funds and 8% in cash and equivalents.

The asset allocation position at 27 February 2009 was 63% in bonds, 24% in equities, 9% in alternatives and 4% in cash. The minimum level for equities under the club's own investment rules is 27% so equities have been below the lowest usually permissible level. However, the board is comfortable at retaining equities at these levels pending stabilisation of the market and a further review of appropriate long-term asset allocation.

Steps were taken before and throughout the year to safeguard the cash, albeit sacrificing some return in order to preserve capital value. These included temporarily suspending the use of overnight money-market funds and purchasing short-dated government bonds in order to reduce counter-party risk.

Throughout the year, virtually all of the bonds have been maintained in sovereign or other AAA rated instruments.

The alternative investments did not perform as well as had been hoped during the equity market crash, but they at least mostly lost less than pure equities. The portfolio had particular problems with one particular hedge fund in which it has a very small holding. The hedge fund used Lehman Brothers as its prime broker and the club's holdings were frozen at the time of Lehman's bankruptcy. The assets are however protected by an insurance policy and so no ultimate loss is expected, but there will be a loss of use of the money until the insurance claim can be finalised and this has been provided for.

Markets remain very volatile and in these circumstances the managers are taking a cautious approach. They continue to believe that diversification will be a key component to portfolio construction in these market conditions. The managers and the board are reviewing the appropriate asset allocation and investment rules going forward, in the light of a review of risk consequent upon the recent market conditions.

Financial instruments
The club is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. The club manages these positions within its investment strategy and business processes.

Auditors
PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and accordingly a resolution to propose their re-appointment will be submitted at the annual general meeting.

By order of the board,
Charles Taylor & Co Limited
Secretary
08 May 2009

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of the affairs of the club and of the income and expenditure for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- 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 financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the club will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The financial statements are published on the club's website. The directors are responsible for the maintenance and integrity of the website. Visitors to the website need to be aware that legislation in the UK concerning the preparation and dissemination of financial statements may differ in other jurisdictions.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the club and which enable them to ensure that the financial statements comply with the UK Companies Act 1985.

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

Statement of disclosure of information to auditors

Each person who is a director at the date of this report confirms that:

1) so far as each of them are aware, there is no information relevant to the audit of the company's consolidated financial statements for the year ended 20 February 2009 of which the auditors are unaware; and

2) the director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS' REPORT

To the Members of The Standard Steamship Owners' Mutual War Risks Association Limited ('the club')

We have audited the financial statements of The Standard Steamship Owners' Mutual War Risks Association Limited ('the club') for the year ended 20 February 2009 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, Directors Listing, Notice of Meeting and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 20 February 2009 and of its shortfall of income over expenditure and cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

12 May 2009

FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT
for the year ended 20 February 2009

	Notes	2009 £ 000	2008 £ 000
Technical account - general business			
Income			
Gross premiums written	3	**620**	322
Outward reinsurance premiums	4	**(460)**	(309)
Earned calls, net of reinsurance		**160**	13
Total income		**160**	13
Expenditure			
Claims paid		**-**	37
Reinsurers' share		**-**	(37)
Net claims paid		**-**	-
Change in provision for claims		**69**	3
Reinsurers' share		**(69)**	(3)
Change in net provision for claims		**-**	-
Claims incurred, net of reinsurance		**-**	-
Net operating expenses	5	**241**	230
Total expenditure		**241**	230
Balance on the technical account for general business		**(81)**	(217)
Non-technical account			
Balance on the technical account for general business		**(81)**	(217)
Investment income	6	**470**	1,060
Investment expenses and charges	6	**(19)**	(19)
Unrealised losses on investments	6	**(578)**	(950)
Exchange (losses)/gains		**(2)**	2
Shortfall of income over expenditure before tax		**(210)**	(124)
Tax (charge)/credit	7	**(72)**	53
Shortfall of income over expenditure for the financial year transferred from contingency reserve	13	**(282)**	(71)

There are no recognised gains or losses other than those included in the income and expenditure account.

The notes on pages 12 to 17 form part of the accounts.

BALANCE SHEET
at 20 February 2009

	Notes	2009 £ 000	2008 £ 000
Assets			
Investments			
Other financial investments	9	**5,568**	6,014
Reinsurers' share of technical provisions			
Claims outstanding	10	**167**	98
Debtors			
Debtors arising out of direct insurance operations	11	**218**	20
Other debtors	12	**200**	2
		418	22
Other assets			
Cash at bank and in hand		**174**	488
Prepayments and accrued income		**149**	145
		323	633
Total assets		**6,476**	6,767
Liabilities			
Reserves			
Contingency reserve	13	**6,134**	6,416
		6,134	6,416
Technical provisions			
Gross claims outstanding	10	**167**	98
Creditors			
Creditors arising out of direct insurance operations		**-**	48
Deferred tax	8	**-**	80
Other creditors including taxation		**163**	100
		163	228
Accruals and deferred income		**12**	25
		175	253
Total liabilities		**6,476**	6,767

Rear Admiral Sir J de Halpert KCVO CB *Director*

08 May 2009 J.H. de Halpert

The notes on pages 12 to 17 form part of the accounts.

CASH FLOW STATEMENT
for the year ended 20 February 2009

	Notes	**2009 £ 000**	2008 £ 000
Net cash flow from operating activities	15	**11**	(65)
Taxation			
United Kingdom corporation tax (paid)/refunded		**(91)**	7
Net outflow		**(80)**	(58)
Cash flows were invested as follows			
(Decrease)/increase in cash holdings	17	**(314)**	328
Net portfolio investments			
Fixed-income securities	17	**(6)**	812
Equities	17	**240**	(1,198)
Net cash flow from investing activities		**234**	(386)
Net application of cash flows		**(80)**	(58)

Movement in opening and closing portfolio investments

	Notes	2009	2008
Net cash (outflow)/inflow for the year		**(314)**	328
Portfolio investments	16	**234**	(386)
Movement arising from cash flows		**(80)**	(58)
Changes in market values and exchange rate effects		**(680)**	(151)
Total movement in portfolio investments including cash net of financing		**(760)**	(209)
Portfolio investments including cash at 21 February 2008		**6,502**	6,711
Portfolio investments including cash at 20 February 2009		**5,742**	6,502

The notes on pages 12 to 17 form part of the accounts.

1 Constitution

The club is limited by guarantee. The members of the club 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 reserve for the purposes of the club or returned to members.

2 Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with:

- applicable accounting standards in the United Kingdom
- Section 255 of, and Schedule 9A to, the UK Companies Act 1985
- the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ('the ABI SORP') dated December 2005 (and amended December 2006)

The UK Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 ("the Regulations") use "Profit and Loss Account" as a heading, which is replaced by "Income and Expenditure Account" throughout these financial statements consistent with the mutual status of the club. All references to income and expenditure account in these financial statements have the same meaning as Profit and Loss Account in the Regulations.

The contingency reserve represents the free reserves of the club and is established in accordance with Rule 32 of the club.

Once a year, the directors review and adopt the accounting policies that are most appropriate for the club. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(b) Annual basis of accounting

The transfer to or from the contingency reserve is determined using an annual basis of accounting.

For the purpose of reporting to mutual members all transactions are allocated to individual policy years. The result of the policy year is determined and reported when it is closed after three years of development in accordance with Rules of the club that requires policy years to be held open for three years. At the end of each financial year any anticipated surplus or deficit arising on open years is transferred to or from the contingency reserve.

(c) Calls and premiums

Calls and 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 are not included in the income and expenditure account.

(d) Claims incurred

Claims incurred comprise all claims passed by the board, advances made on account of claims and related expenses paid in the year, and changes in provisions, including provisions for claims incurred but not reported and related expenses.

(e) *Claims provisions and related reinsurance recoveries*

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the club. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The club takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries. An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurers.

(f) *Reinsurance premiums*

Reinsurance premiums include premiums paid in respect of the reinsurance agreement with market underwriters on an accruals basis.

(g) *Investment return*

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. Dividends are recorded on the date on which the shares are quoted ex-dividend and gross of imputed tax credits. Interest and expenses are accounted for on an accruals basis. Realised gains and losses on investments carried at market value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period. The investment return is reported in the non-technical account.

(h) *Investments*

The investments held by the club are shown at market value in the balance sheet.

(i) *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 reported in the non-technical account.

(j) *General administration expenses*

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

(k) *Taxation*

Taxation provided is that which became chargeable during the year.

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the income and expenditure account. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the income and expenditure account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total gains and losses. Deferred tax balances are not discounted.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

3. Gross premiums written

	2009 £ 000	2008 £ 000
Annual contributions	**274**	258
Additional premiums	**346**	64
Total gross premiums written including contributions	**620**	322

4. Outward reinsurance premiums

	2009 £ 000	2008 £ 000
Annual premiums	**444**	300
Adjustments for previous policy years	**16**	9
Reinsurance premiums paid	**460**	309

5. Net operating expenses

	2009 £ 000	2008 £ 000
Administrative expenses		
Managers' remuneration	**217**	200
General administration costs	**8**	8
Directors' fees	**2**	2
	227	210
During the year the Company obtained the following services from the Company's auditor at costs as detailed below:		
Audit Services		
Fees payable to the Company's auditor for the audit of the Company:		
Audit for UK GAAP reporting	**4**	4
Non-audit Services		
Fees payable to the Company's auditor for other services:		
(a) Other services pursuant to legislation, including the audit of the regulatory return	**4**	4
(b)Tax services	**6**	12
Net operating expenses	**241**	230

Directors are paid a flat fee with additional attendance fees.

6. Investment return

	2009 £ 000	2008 £ 000
Investment income		
Income from equities	**174**	89
Income from fixed-interest securities	**190**	151
Deposit interest	**12**	21
Gains arising on realisation of investments	**94**	799
Total investment income	**470**	1,060
Investment expenses and charges		
Investment management expenses	**(19)**	(19)
Unrealised losses on investments	**(578)**	(950)
Total investment return	**(127)**	91

7. Tax charge/(credit)	2009 £ 000	2008 £ 000
Analysis of charge in the period		
Current tax		
Corporation tax at 28.0% (2008 30.0%)	**160**	99
Prior years		
Over provision in prior years	**(8)**	(3)
Deferred tax		
Origination and reversal of timing differences	**(80)**	(149)
Total tax charge/(credit)	**72**	(53)
Factors affecting tax charge for the period		
Shortfall of income over expenditure before tax	**(210)**	(124)
Multiplied by the standard rate of tax at 28% (2008 30%)	**(59)**	(37)
Small companies rate relief	**3**	6
Income not assessable for tax purposes	**52**	(131)
Unrealised losses on investments revalued every year	**156**	258
	152	96

Corporation tax is charged on all of the Association's investment income.

8. Deferred tax	2009 £ 000	2008 £ 000
Unrecognised		
Unrecognised deferred tax asset at 21 February 2008	-	-
Unrecognised deferred tax movement	**53**	-
Unrecognised deferred tax asset at 20 February 2009	**53**	-
Unrealised losses on investments revalued every year	**53**	-
	53	-

Tax losses are held on the tax capital account in respect of unrealised losses on the investment portfolio. These losses are only relievable against profits from other items on the tax capital account and consequently no deferred tax asset has been recognised.

	2009 £ 000	2008 £ 000
Recognised		
Recognised deferred tax liability at 21 February 2008	**(80)**	(229)
Recognised deferred tax movement	**80**	149
Recognised deferred tax liability at 20 February 2009	-	(80)
Unrealised gains on investments revalued every year	-	(80)
	-	(80)

9. Other financial investments

	2009	2008
	£ 000	£ 000
At market value		
Debt securities and other fixed-income securities	**3,820**	3,546
Shares and other variable-yield securities and unit trusts	**1,748**	2,468
Total investments at market value	**5,568**	6,014
At cost		
Debt securities and other fixed-income securities	**3,506**	3,502
Shares and other variable-yield securities and unit trusts	**1,912**	1,784
Total investments at cost	**5,418**	5,286
Listed investments		
Included in the carrying values above are amounts in respect of listed investments as follows:		
Debt securities and other fixed-income securities	**3,820**	3,546
Shares and other variable-yield securities and units in unit trusts	**1,075**	1,316
Total listed investments at market value	**4,895**	4,862

10. Claims outstanding

	2009	2008
	£ 000	£ 000
Gross provision	**167**	98
Reinsurance recoveries	**(167)**	(98)
Net claims provision	**-**	-

11. Debtors arising out of direct insurance operations

	2009	2008
	£ 000	£ 000
Members	**218**	20
Direct insurance debtors	**218**	20

12. Other debtors

	2009	2008
	£ 000	£ 000
Other debtors	**200**	2

Included in other debtors is £196,121 (2008: nil) being the estimated current value of the amount expected to be recovered from the company's investment in the Taylor Hedge Fund, the assets of which are recoverable in the first instance from the administrators of Lehman Brothers, who acted as prime brokers to the fund, and failing that from CAPCO, a third pary insurer.

13. Contingency reserve

	2009	2008
	£ 000	£ 000
Balance at beginning of year	**6,416**	6,487
Transfer to non-technical account	**(282)**	(71)
Balance at end of year	**6,134**	6,416

14. Movement in prior years' provision for claims outstanding

An adverse run-off of £69,747 (2008: £3,151) was experienced during the year.

15. Net cash flow from operating activities

	2009 £ 000	2008 £ 000
Shortfall of income over expenditure	**(210)**	(124)
Gains arising on realisation of investments	**(94)**	(799)
Unrealised losses in investments	**578**	950
Increase in debtors	**(203)**	(72)
Decrease in creditors	**(60)**	(20)
Net cash flow from operating activities	**11**	(65)

16. Portfolio investments

	2009 £ 000	2008 £ 000
Purchase of fixed-income securities	**2,509**	1,367
Purchase of equities	**906**	216
Sale of fixed-income securities	**(2,515)**	(555)
Sale of equities	**(666)**	(1,414)
Net cash flow on portfolio investments	**234**	(386)

17. Movements in cash, portfolio investments and financing

	2009 £ 000	2008 £ 000
Cash at bank and in hand		
Balance at 21 February 2008	**488**	160
Cash flow	**(314)**	328
Balance at 20 February 2009	**174**	488
Fixed income securities		
Balance at 21 February 2008	**3,546**	2,637
Cash flow	**(6)**	812
Changes to market value and foreign exchange	**280**	97
Balance at 20 February 2009	**3,820**	3,546
Equities		
Balance at 21 February 2008	**2,468**	3,914
Cash flow	**240**	(1,198)
Changes to market value and foreign exchange	**(960)**	(248)
Balance at 20 February 2009	**1,748**	2,468