

Contents

- 1 Notice of Meeting
- 2 List of Directors
- 3 Auditors' Report
- 4 Report of the Directors
- 7 Accounts

AC 800 1081

127257.

Notice of Meeting

Notice is hereby given that the eighty-second Annual General Meeting of the Members will be held at the Hotel Bristol, Paris, on 21st July, 1995 at 9.25 a.m.

Business

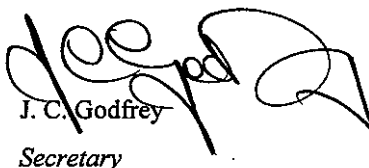
To adopt the Report and Accounts.

To re-appoint Coopers & Lybrand 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

4th May, 1995



List of Directors

J.E. Keville, Chairman
Furness Withy (Shipping) Ltd.

Captain Sir Malcolm Edge K.C.V.O.
Corporation of Trinity House

D. J. C. Habgood
Blue Star Line Ltd.
Appointed 14.7.94

C. G. N. Ryder O.B.E.
John Swire & Sons Ltd.

K. W. Timmermann
P&O Bulk Shipping Ltd.

Managers
Charles Taylor & Co. Ltd.

Auditors' Report

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

We have audited the Accounts set out on pages 8 to 14.

Respective responsibilities of Directors and Auditors

As described on page 6, the Association's Directors are responsible for the preparation of the Accounts. It is our responsibility to form an independent opinion, based on our audit, on these Accounts 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 the examination, on a test basis, of the evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Accounts, 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 Accounts 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 Accounts.

Opinion

In our opinion the Accounts give a true and fair view of the state of affairs of the Association at 20th February 1995 and of its surplus, total recognised gains and cash flow for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Coopers & Lybrand

Chartered Accountants and Registered Auditors

London

4 May 1995

Report of the Directors

The Directors herewith submit the Association's Accounts as at 20th February 1995, with the Report of the Auditors to the members, from which members will obtain information relating to the Association's affairs during the year ended 20th February 1995.

Review of the year

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

After several years of being reinsured without any retention, the clubs in the Combined Group of War Risks Associations decided to take an annual aggregate deductible with effect from 20th February 1994, thereby allowing the rates of advance contribution for British flag and British-controlled ships to be substantially reduced. Participation in the deductible is, however, optional and this Association opted to remain reinsured from the group up in respect of its own reinsurance of the Canadian Shipowners Mutual Assurance Association, whilst participating in respect of its directly-entered tonnage. Despite the reduction in premium income, investment income of £211,000 meant that a surplus of £142,000 was transferred at the end of the year to the contingency fund, which stands at £4,929,000.

The Association paid one relatively small claim in the course of the year, following an incident of

violent theft in Nigeria. That claim was fully recoverable under the Combined Group's reinsurance. As noted above, the Association continues to reinsure the Canadian Shipowners Mutual Assurance Association. The total value of ships entered at the close of the year was approximately £3.4 billion, of which reinsured Canadian ships represented approximately £1.4 billion.

Directors

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

Mr D. J. C. Habgood, a Director appointed during the year, retires in accordance with the Articles of Association and, being eligible, offers himself for re-election. Mr K. W. Timmermann retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Changes to the basis of preparation of the Annual Accounts

For many years the accounts of the Association have been drawn up in accordance with accounting policies generally accepted by marine mutual associations. Over that time the practices of other marine mutuals and, in particular, members of the International Group, have resulted in many different accounting treatments being adopted, which has

undermined the consistent application of this basis of preparation. In addition, EU legislation will require all EU-based insurance companies to conform to the EU Insurance Accounts Directive (as enacted by member state legislation) for the financial year ending 20th February 1996. As a result of these factors, your Board has considered the best way forward and determined that the requirements of the EU Insurance Accounts Directive are likely to become the basis for the preparation of most marine mutuals' accounts in the future. Accordingly, the Accounts have been drawn up in accordance with the regulations that enact the EU Insurance Accounts Directive into United Kingdom law.

The main changes to the Accounts are as follows:

Income and Expenditure Account

The legislation distinguishes between "technical" and "non-technical" activities, that is activities directly concerned with policyholders and those concerned with members. Although the interests of policyholders and members are synonymous in a mutual insurance association a technical account and a non-technical account must be produced. The main change to the Income and Expenditure account is to include the movement in the open and closed year fund as the "change in provision for claims". The other changes to the Income and Expenditure account relate to presentation rather than to substantive changes, with a clearer distinction being drawn between gross premiums and claims and the net position after allowing for reinsurance.

Closed Policy Years and Contingency Fund

Previously the Accounts have reflected two open policy years. The decision to close the oldest open policy year has always been taken based on the financial position at the 20th February each year and before the Accounts have been approved. Accordingly, for the first time, the Accounts reflect the oldest year open until the year end (that is 1993/94 policy year this year) as closed. The contingency fund balance at the 20th February 1994 has been restated to reflect the closure of the 1992/93 policy year.

Balance Sheet

As with the Income and Expenditure account, the legislation distinguishes between technical and non-technical reserves. The items which appear as non-technical reserves are the statutory fund, which is not strictly available to pay claims, the revaluation reserve, which is not reflected through the Income and Expenditure account and is not allocated to technical reserves; and the contingency fund, which represents the balance of the free reserves of the Association. The provision for outstanding claims is now included as a separate item. The other changes are to the presentation of headings; in particular, the Balance Sheet distinguishes between assets and liabilities so that whereas sundry creditors were previously deducted from assets to arrive at the balance available to meet outstanding and future claims, they are for the first time this year included within the liability section of the balance sheet.

Investment

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

Last year saw the worst bond markets for sixty years. The investment policy adopted follows these markets and resulted in an overall loss of 3.1% on the Club's funds during the year. The effect of the loss is to reduce the 3 year average annual return to 9.1%.

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 3, 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

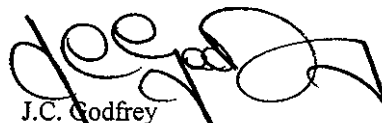
- prepare the Accounts on a going-concern basis unless it is inappropriate to presume that the Association will continue in business.

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

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



J.C. Godfrey

Secretary

4th May, 1995

Accounts

- 8** Income and Expenditure Account
- 9** Balance Sheet
- 10** Cash Flow Statement
- 11** Notes to the Accounts

Income and Expenditure Account

for the year ended 20th February 1995

| | Notes | 1995 £ 000's | 1994 £ 000's |
|--|-------|-----------------|-----------------|
| Technical account-general business | | | |
| Income | | | |
| Gross premiums written including contributions | 3 | 430 | 566 |
| Outward reinsurance premiums | 4 | (463) | (600) |
| Earned calls, net of reinsurance | | (33) | (34) |
| Allocated investment return transferred from the non-technical account | | 211 | 289 |
| Exchange (losses) / gains | | (70) | 183 |
| Total income | | 108 | 438 |
| Expenditure | | | |
| Claims paid | | 4 | - |
| Reinsurers' share | | (4) | - |
| Net claims paid | | 0 | - |
| Change in provision for claims | | (239) | 71 |
| Reinsurers' share | | - | - |
| Change in net provision for claims | | (239) | 71 |
| Claims incurred, net of reinsurance | | (239) | 71 |
| Net operating expenses | 6 | 205 | 199 |
| Total expenditure | | (34) | 270 |
| Non-technical account | | | |
| Balance on general business technical account | | 142 | 168 |
| Investment income | 5 | 446 | 486 |
| Investment expenses and charges including losses arising on realisation of investments | | (152) | - |
| United Kingdom corporation tax | 7 | (83) | (197) |
| | | 211 | 289 |
| Allocated investment return transferred to the general business technical account | | (211) | (289) |
| Excess of income over expenditure transferred to contingency fund | | 142 | 168 |

Accumulated fund/Contingency fund

| | | | |
|--|----|-------|-------|
| Balance at beginning of year: accumulated fund | | 5,026 | 4,787 |
| Adjustment to prior years | 10 | (239) | (168) |
| Balance as restated: contingency fund | | 4,787 | 4,619 |
| Transfer from non-technical account | | 142 | 168 |
| Balance on contingency fund at end of year | | 4,929 | 4,787 |

Statement of total recognised gains and losses

| | | | |
|-------------------------------------|--|-------|-------|
| Transfer from non-technical account | | 142 | 168 |
| Movement in revaluation reserve | | (398) | (231) |
| | | (256) | (63) |

This statement does not include the adjustment to prior years, which, as set out above and in Note 2(a), is solely to reallocate the accumulated fund between the contingency fund and provisions for claims.

The income & expenditure for the year is wholly derived from continuing activities

Balance Sheet

20th February 1995

| | Notes | 1995 £ 000's | 1994 £ 000's |
|---|-------|-----------------|-----------------|
| Assets | | | |
| Investments | | | |
| Other financial investments | 9 | 4,019 | 5,598 |
| | | 4,019 | 5,598 |
| Debtors | | | |
| Member debtors arising out of direct insurance operations | | 3 | 20 |
| Other debtors | | 50 | 7 |
| | | 53 | 27 |
| Other assets | | | |
| Cash at bank and in hand | | 1,189 | 195 |
| Prepayments and accrued income | | 102 | 104 |
| | | 1,291 | 299 |
| Total assets | | 5,363 | 5,924 |
| Liabilities | | | |
| Reserves | | | |
| Revaluation reserve | | 176 | 574 |
| Contingency fund | | 4,929 | 4,787 |
| | | 5,105 | 5,361 |
| Technical provisions | | | |
| Claims outstanding - gross open year fund | | - | 239 |
| Balance available to meet outstanding and future claims | | 5,105 | 5,600 |
| Creditors | | | |
| Creditors arising out of direct insurance operations | | 9 | - |
| Other creditors including taxation | | 56 | 149 |
| | | 65 | 149 |
| Accruals and deferred income | | 193 | 175 |
| | | 258 | 324 |
| Total liabilities | | 5,363 | 5,924 |

M. Minors.

[Signature]

Charles Taylor & Co. Ltd.

4th May 1995 9

Cash Flow Statement

for the year ended 20th February 1995

| | Notes | 1995 £ 000's | 1994 £ 000's |
|---|-------|-----------------|-----------------|
| Operating activities | | | |
| Net cash (outflow) / inflow from operating activities | 12 | (6) | 353 |
| Taxation | | | |
| Tax paid | | (181) | (112) |
| Net cash (outflow) / inflow after taxation | | (187) | 241 |
| Investing activities | | | |
| Net sale / (purchase) of investments | | 1,181 | (252) |
| Increase / (decrease) in bank balances | | 994 | (11) |
| Bank balances, beginning of year | | 195 | 206 |
| Bank balances, end of year | | 1,189 | 195 |

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 Section 255 and Schedule 9A of the UK Companies Act 1985. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Changes in accounting policies

The requirements of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 ("the Regulations") came into effect for periods commencing after 23rd December 1994 and have been applied for the first time in these accounts. The Association has restated the comparative figures for the year ended 20th February 1994 to reflect the changes in the presentation of the accounts introduced by the Regulations.

In accordance with the Regulations, the Association has changed its accounting policy whereby claims incurred are now accounted for in the Income and Expenditure Account rather than being met from the accumulated fund as in previous years. The effect of the above change is disclosed in Note 10. 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 15.10.1 of the Rules of the Association.

(b) 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.

(c) 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 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 calls and premiums, including supplementary calls receivable.

(iii) 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 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.

(d) Reinsurance premiums

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

(e) Interest and investment income

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

(f) Profit and loss on sale of investments

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

(g) 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.

(h) 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.

(i) General administration expenses

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

(j) 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.

(k) Allocation of investment return

All investment returns are allocated to the technical account.

| 3. Gross premiums written including calls | 1995 | 1994 |
|---|---------|---------|
| | £ 000's | £ 000's |
| Annual contributions | 337 | 440 |
| Adjustments for previous policy years | 3 | (2) |
| Additional premiums | 67 | 128 |
| Adjustments for previous policy years | 23 | - |
| | 430 | 566 |

| 4. Outward reinsurance premiums | 1995 | 1994 |
|---------------------------------|---------|---------|
| | £ 000's | £ 000's |
| Reinsurance premiums | | |
| - Additional premiums | 88 | 138 |
| - Other premiums | 375 | 462 |
| | 463 | 600 |

| 5. Investment income | 1995 | 1994 |
|---|---------|---------|
| | £ 000's | £ 000's |
| Income from fixed-interest securities | 302 | 339 |
| Deposit interest | 15 | 7 |
| Gains arising on realisation of investments | 129 | 140 |
| | 446 | 486 |

| 6. Net operating expenses | 1995 | 1994 |
|---|---------|---------|
| | £ 000's | £ 000's |
| Administrative expenses | | |
| Managers' remuneration | 173 | 168 |
| General administration costs | 17 | 23 |
| Directors' fees | 4 | 4 |
| Auditors' remuneration - audit | 7 | 4 |
| Auditors' remuneration - other services | 4 | - |
| | 205 | 199 |

| 7. United Kingdom corporation tax | 1995 | 1994 |
|--|---------|---------|
| | £ 000's | £ 000's |
| Corporation tax at 25.8% (1994 30.86%) | 83 | 197 |

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

| | 1995 | 1994 |
|--|---------|---------|
| | £ 000's | £ 000's |

Fees

Fees include amounts paid to the :

Chairman and highest-paid director

| | |
|---|---|
| 1 | 1 |
|---|---|

The number of directors (including the Chairman and highest-paid director) who received fees in the following ranges was :

| 1995 | 1994 |
|--------|--------|
| Number | Number |

£ 1 - £ 5,000

| | |
|---|---|
| 6 | 5 |
|---|---|

No director waived fees in respect of the year ended 20th February 1995.

9. Other financial investments

| | 1995 | 1994 |
|--|---------|---------|
| | £ 000's | £ 000's |

Debt securities and other fixed income securities

| | | |
|--------------|-------|-------|
| Market Value | 4,019 | 5,598 |
|--------------|-------|-------|

| | | |
|------|-------|-------|
| Cost | 3,843 | 5,024 |
|------|-------|-------|

10. Prior year adjustments

| | 1995 | 1994 |
|--|---------|---------|
| | £ 000's | £ 000's |

| | | |
|----------------|-------|-------|
| Open year fund | (239) | (168) |
|----------------|-------|-------|

11. Revaluation reserve

| | 1995 | 1994 |
|--|---------|---------|
| | £ 000's | £ 000's |

| | | |
|------------------------------|-----|-----|
| Balance at beginning of year | 574 | 805 |
|------------------------------|-----|-----|

| | | |
|---------------------------------|-------|-------|
| Movement arising on revaluation | (398) | (231) |
|---------------------------------|-------|-------|

| | | |
|------------------------|-----|-----|
| Balance at end of year | 176 | 574 |
|------------------------|-----|-----|

12. Net cash (outflow)/inflow from operating activities

| | 1995 | 1994 |
|--|---------|---------|
| | £ 000's | £ 000's |

| | | |
|---|-----|-----|
| (Shortfall) / Excess of income over expenditure | 142 | 168 |
|---|-----|-----|

| | | |
|--------------------------------|-------|----|
| Change in provision for claims | (239) | 71 |
|--------------------------------|-------|----|

| | | |
|-------------------|---|---|
| Reinsurers' share | - | - |
|-------------------|---|---|

| | | |
|----------|----|-----|
| Taxation | 83 | 197 |
|----------|----|-----|

| | | |
|---------------------|------|----|
| Decrease in debtors | (21) | 30 |
|---------------------|------|----|

| | | |
|-----------------------|----|-------|
| Decrease in creditors | 29 | (113) |
|-----------------------|----|-------|

| | |
|-----|-----|
| (6) | 353 |
|-----|-----|