Standard Club

THE STANDARD CLUB IRELAND DAC ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

2019

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DIRECTORS' REPORT

The directors have pleasure in presenting the audited financial statements of The Standard Club Ireland DAC ("the club") for the financial period 13 August 2018 to 20 February 2019.

Principal activities

The club, incorporated in Ireland on 13 August 2018, is a single member designated activity company, limited by shares. The club is wholly owned by The Standard Club Ltd ("Standard Club"), a Bermudian based mutual insurance undertaking, which is the ultimate parent and ultimate controlling party in the group.

The club is regulated by the Central Bank of Ireland ("the CBI") following authorisation on 23 January 2019 to write non-life insurance business. The address of its registered office is Fitzwilliam Hall, Fitzwilliam Place, Dublin 2. The registered company number is 631911.

The club was set up to insure the Standard group's European shipowner members, and commenced underwriting those members from midday 20 February 2019.

Directors, Secretary and their interests

The directors who held office during the financial period and up to the date of this report are set out below:

B Hurst-Bannister
Chairman
Non-executive director
(Appointed 23 January 2019)

M Brady
Independent non-executive director
Chairman of audit committee
(Appointed 13 August 2018)

C d'Amico
d'Amico Societa di Navigazione SpA
Non-executive director
(Appointed 13 August 2018)

R Drummond
Manager
(Appointed 13 August 2018)

J Grose
Manager
(Appointed 13 August 2018, resigned 23 January 2019)

C McGettrick
Independent non-executive director
Chairman of risk committee
(Appointed 13 August 2018)

The company secretary is Charles Taylor Administration Services Limited.

All the directors are members of the of Audit Committee and the Risk Committee.

The directors and secretary who held office at 20 February 2019 had no interests greater than 1% in the shares of the company or group companies.

DIRECTORS' REPORT *continued*

Business review

The club incurred a net loss before tax for the financial period of $(20)k. The loss comprised of administrative expenses of $(40)k and foreign exchange loss of $(9)k, partially offset by interest income of $29k.

The club's net assets as at 20 February 2019 were $20,699k.

The club began underwriting with effect from midday 20 February 2019 and so for the financial period ended midday 20 February 2019, the club's gross premium written are $nil.

As these are the club's first financial statements the club does not have comparative disclosures.

Dividends

The directors do not propose any dividends for the financial period.

Future outlook

The financial year commencing midday 20 February 2019 represents an exciting opportunity for the club as it embarks on its first full year of operations. The club's financial position means it is satisfactorily positioned to offer the full range of P&I, defence, war risks and related covers to its members.

Strategy and business plan

The club has been established in Ireland to write insurance of marine protection and indemnity (P&I) and related risks, defence risks, and war risks on behalf of its members. The club has also established branches in Greece and the UK. The club will provide its members with the choice of an EU-based insurer. The club receives parental support from Standard Club by way of an arms'-length quota share agreement.

The board believes the club will seek growth in its core business areas, as well as examine opportunities to extend the range of products offered, provided this does not undermine the solid financial attributes of the club, and any development is consistent with the club's existing emphasis on the quality of its members' operations and with the high standard of service provided to them.

Accounting records

The directors believe they have complied with the requirements of sections 281 to 285 of the Companies Act, 2014 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the company are maintained at Fitzwilliam Hall, Fitzwilliam Place, Dublin 2.

Political donations

The club made no political donations and incurred no political expenditure during the financial period.

Events after the reporting date

The club began underwriting with effect from midday 20 February 2019.

Statutory auditors

This is the first period audit for the club and is audited by BDO LLP, the statutory auditor.

BDO LLP, was originally appointed on 10 October 2018 as Moore Stephens LLP in accordance with section 383(2) of the Companies Act 2014. Moore Stephens LLP merged with BDO LLP on 1 February 2019 and so BDO LLP was then appointed as statutory auditor on 18 February 2019.

DIRECTORS' REPORT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES

How we manage risk

The board is responsible for identifying and managing the club's risk. The board's risk management responsibilities are led by the Risk Committee, which reviews at each of its meetings the risks facing the club, their potential impact, and the management and mitigation of those risks. The board sets the club's risk appetite in relation to all key aspects of the club's operations, and the club's strategy reflects that appetite.

All risks are evaluated to assess their probability and their potential impact. The club's management sets controls which are designed to ensure tolerances contained in the board's risk appetite are not exceeded and, where possible, puts in place arrangements to mitigate the club's risks. It also monitors emerging risks.

A risk register is maintained to record the risks with their value, impact, mitigation and controls. The club's internal model reflects the risk identified and is used to assess the potential impact and the capital required to cover them.

The compliance and internal audit functions play an important role in ensuring the club's risk management systems are functioning correctly.

Detailed risk disclosures are set out in detail in note 3 to the financial statements, starting on page 17.

CORPORATE GOVERNANCE

The club comprises members from the international shipping community, mostly based in EU countries. The club seeks to follow generally recognised good governance principles.

Corporate governance requirements

The club is subject to the Corporate Governance Requirements for Credit Institutions and Insurance Undertakings (the 'code') issued by the CBI. The club is not a 'major institution' under the terms of the code.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DIRECTORS' REPORT *continued*

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance contracts", and promulgated by the Institute of Chartered Accountants in Ireland). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable Accounting Standards, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2014.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DIRECTORS' COMPLIANCE

The directors of the company acknowledge that they are responsible for securing the company's compliance with its relevant obligations as required by Section 225 of the Companies Act 2014.

The directors confirm that:

- a compliance policy statement setting out the company's policies with regard to complying with the relevant obligations has been prepared;
- arrangements and structures have been put in place that they consider sufficient to secure material compliance with the company's relevant obligations; and
- a review of the arrangements and structures has been conducted during the financial period to which this directors' report relates.

On behalf of the board,

B Hurst-Bannister	**R Drummond**	7 May 2019
Director	Director	

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STANDARD CLUB IRELAND DESIGNATED ACTIVITY COMPANY

Opinion

We have audited the financial statements of The Standard Club Ireland Designated Activity Company ("the Club") for the period from 13 August 2018 to 20 February 2019 which comprise the Statement of Financial Position , the Statement of Income and Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is Irish law and Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and Financial Reporting Standard 103 *Insurance Contracts.*

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Club as at 20 February 2019, and of its loss for the period then ended;
- have been properly prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and Financial Reporting Standard 103 *Insurance Contracts*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Club in accordance with the ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (Ireland) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Club's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Due to the nature of the Club's activities in the period, we do not consider there to be any key audit matters to be reported in respect of the financial statements for the period.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	$440,000
How we determined it	2% of Net Assets
Rationale for the materiality benchmark applied	The principal determinant in this assessment was the club's Net Assets, which we consider to be the most relevant benchmark, as it reflects a key measure of the performance of a mutual insurance company and is used to assess the level of free reserves and in determining solvency

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Basic performance materiality was set at $286,000 which represents 65% of the above materiality level. This level has been selected with consideration of the risk of aggregation of errors and our assessed overall inherent risk for the audit.

We agreed with the Audit Committee that we would report to them any misstatements in excess of $22,000 that we identified through the course of our audit, together with any qualitative matters that warrant reporting.

An overview of the scope of the audit

The scope of the audit for the financial statements has been determined by our application of our materiality to the financial statements in association to the risks of the Club when determining the level of work to be performed. All audit work was performed directly by the audit engagement team.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements.

We gained an understanding of the legal and regulatory framework applicable to the Club and the industry in which it operates and considered the risk of acts by the Club which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2014, and FRS 102 and 103. We obtained our understanding through internal and external training, and the use of an appropriately qualified and experienced audit team who specialise in the insurance sector.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error.

We focused on laws and regulations that could give rise to a material misstatement in the Club financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- review of correspondence with the Central Bank of Ireland ('CBI'); and
- review of the Club's compliance plan and any internal compliance monitoring for the period.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that might reasonably represent a risk of material misstatement due to fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the Directors' Report is consistent with the financial statements; and
- in our opinion, the Directors' Report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Club were sufficient to permit the financial statements to be readily and properly audited, and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Club and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities and restriction of use

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Club's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Club or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: https://www.iaasa.ie/Publications/ISA-700-(Ireland). This description forms part of our Auditors' report.

Other matters which we are required to address

BDO LLP was first appointed to audit the financial statements for the period ended 20 February 2019 and subsequent financial periods. We were appointed as auditors by the members of the Club. This period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company and we remained independent of the Company in conducting our audit. We have not provided any non-audit services to the Company in the year ended 20 February 2019.

Our opinion is consistent with our additional report to the Audit Committee issued by us in terms of Article 11 of the Audit Regulation.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Club's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Club's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Club and the Club's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Barnes, Partner
For and on behalf of
BDO LLP, Statutory Audit Firm
London, United Kingdom

9 May 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number C305127)

FINANCIAL STATEMENTS

STATEMENT OF INCOME

for the financial period 13 August 2018 to 20 February 2019

	Note	Total 2019 US$'000
Technical account - general business		
Earned premiums, net of reinsurance		
Gross premiums earned including calls		-
Outward reinsurance premiums		-
Earned calls, net of reinsurance		**-**
Claims incurred, net of reinsurance		
Claims paid		-
Reinsurers' share		-
Net claims paid		-
Change in provision for claims		-
Reinsurers' share		-
Change in net provision for claims		-
Claims incurred, net of reinsurance		**-**
Net operating expenses	4	**40**
Balance on the technical account for general business		**(40)**
Non-technical account		
Balance on the technical account for general business		**(40)**
Investment return net of expenses and charges		**29**
Loss on foreign exchange		**(9)**
Loss on ordinary activities before taxation		**(20)**
Tax on loss on ordinary activities	5	**(5)**
Loss for the financial period		**(25)**

The income, expenditure and results for the period are wholly derived from continuing activities.

The notes on pages 14 to 22 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial period 13 August 2018 to 20 February 2019

	Note	Share Capital US$000	Contributed Capital US$000	Contingency Reserves US$000	Total Reserves US$000
Balance as at 13 August 2018		-	-	-	-
Shares issued during the financial period	7	**724**	-	-	**724**
Capital Contributions received during the financial period	8	-	**20,000**	-	**20,000**
(Loss) for the financial period		-	-	**(25)**	**(25)**
Balance as at 20 February 2019		**724**	**20,000**	**(25)**	**20,699**

The notes on pages 14 to 22 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 20 February 2019

	Note	Total 2019 US$000
ASSETS		
Investments		
Other financial investments	6	**16,929**
Debtors		
Amounts owed by group undertakings		**7**
Other assets		
Cash at bank and in hand		**5,771**
Prepayments and accrued income		**85**
Total assets		**22,792**
EQUITY		
Capital and reserves		
Share capital		**724**
Contributed capital		**20,000**
Contingency reserve		**(25)**
Shareholders' funds attributable to equity interests		**20,699**
LIABILITIES		
Creditors		
Amounts owed to group undertakings		**1,406**
Current tax payable		**5**
		1,411
Accruals and deferred income		**682**
Total equity and liabilities		**22,792**

The notes on pages 14 to 22 are an integral part of these financial statements.

The financial statements were approved by the board of directors and signed on its behalf by:

B Hurst-Bannister
Director

R Drummond
Director

7 May 2019

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution

The Standard Club Ireland DAC ("the club") was incorporated in Ireland on 13 August 2018, as a single member designated activity company, limited by shares. The club is regulated by the Central Bank of Ireland ("the CBI") following authorisation on 23 January 2019 to write non-life insurance business. The address of its registered office is Fitzwilliam Hall, Fitzwilliam Place, Dublin 2. The registered company number is 631911.

2. Accounting policies

The accounting policies set out below include those that are applied from midday 20 February 2019, the date when the club began its underwriting activities.

(a) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103"). The club is also subject to the requirements of the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015.

The financial statements are prepared under the historical cost convention, as modified for the revaluation of investment properties and financial assets and liabilities (including derivative instruments) at fair value through income or expenditure.

The contingency reserve represents the free reserves of the club and is established in accordance with rule 20.6 of the Rules of the club.

The financial statements are prepared on a going concern basis. The directors consider it appropriate to adopt the going-concern basis of accounting in the preparation of these financial statements and are not aware of any material uncertainties to the company's ability to continue to do so for at least 12 months from the date of these financial statements.

(b) Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following exemptions:

- the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements (FRS 102.1.12(b)).
- disclosing transactions or balances with entities which form part of the group (FRS 102.33.1A).

(c) 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 Rule 21, which 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.

(d) Calls and premiums

Calls and premiums are credited to the Statement of Income as and when charged to members and are net of any return of premium made in the year. Contributions for financial periods after the statement of financial position date are treated as prepaid and are not included in the Statement of Income.

(e) Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the statement of financial position date, calculated on a time apportionment basis.

(f) Claims incurred

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

(g) Reinsurance recoveries

The liabilities of the club are reinsured above certain levels with similar associations under the International Group's Pooling Agreement and with market underwriters. The figures in the Statement of Income relate to recoveries on claims incurred during the year.

Outstanding claims in the statement of financial position are shown gross and the reinsurance recoveries are shown as an asset.

(h) Claims provisions and related reinsurance recoveries

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 estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the club. The club takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. An allowance for future claims handling costs is included in the provision.

Liability and marine claims are 'long tail' i.e., with potential liabilities several years after the end of the policy year. Consequently, a large element of the claims provision relates to IBNR. Claims estimates for the club are derived from a combination of loss ratio-based estimates and a variety of estimation techniques. These are generally based upon statistical analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. However, allowance is made for changes or uncertainties that may create distortions in the underlying statistics or that may cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including:

- changes in club processes that might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous financial periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

The variety of estimation techniques assists in giving greater understanding of the trends inherent in the data being projected and in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each policy year.

Large claims impacting each relevant business class are generally assessed separately, being measured and/or projected on a case-by-case basis in order to allow for the possible distortive effect of the development and incidence of these large claims.

Pollution and asbestosis claims can have a very long delay between the occurrence and notification. In estimating the cost of these claims, the club considers the type of risks written historically that may give rise to exposure to these liabilities, notifications received from policyholders, the nature and extent of the cover provided, the current legal environment, changes in the effectiveness of clean-up techniques and industry benchmarks of the typical cost of such claims.

Claims reserves are estimated on an undiscounted basis apart from asbestos related claims. Due to the very long delay between the inception date of the policy and the final settlement of a claim which has arisen due an exposure to asbestos, such asbestos related claims provisions and IBNR thereon are discounted to take account of the expected investment income receivable between the statement of financial position date and settlement on the assets held to cover these provisions.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, and are adjusted to reflect changes in the nature and extent of the club's reinsurance programme over time.

An assessment is also made of the recoverability of reinsurance with regard to market data on the financial strength of each of the reinsurance companies.

(i) Reinsurance premiums

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

(j) 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 include the 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 statement of financial position date and their purchase price or, if they have been previously valued, their valuation at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier financial periods in respect of investment disposals in the current financial period. The investment return is reported in the non-technical account.

(k) Financial instruments

The club has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of financial instruments.

– Financial assets at fair value through income

The club classifies its investments as financial assets at fair value through income. As a result, gains and losses are taken to the Statement of Income, which reflects the management of the portfolio on a fair value basis. Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors.

– Derivative financial investments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The club does not engage in hedge accounting and changes in the fair value of all derivative investments are recognised immediately in the Statement of Income.

– Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable settlement values. Amounts due from members and reinsurers are included in this category and are measured at cost less any provision for impairment in value.

(l) Foreign currencies

The club's financial statements are presented in US dollars which is the club's functional currency.

Monetary assets and liabilities in foreign currencies are translated at the US dollar rate of exchange at the statement of financial position date with the resulting difference treated as an exchange gain or loss within the non-technical account.

Revenue transactions in foreign currencies are translated into US dollars at the rate applicable for the week in which the transaction takes place. Exchange differences are reported in the non-technical account.

Foreign currency contracts are entered into in order to hedge the currency exposure of the investment portfolio. The contracts are for the forward sale of currencies, which are matched by holdings of those currencies. The open contracts have been revalued at year-end rates of exchange and the potential profit or loss included in the non-technical account.

(m) General administration expenses

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

(n) 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 Statement of Income.

Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the Statement of Income for the financial period, except to the extent that it is attributable to a gain or loss that is recognised directly in the Contingency Reserves. 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 more likely than not that there will be suitable net taxable income from which the future reversal of the underlying timing differences can be deducted.

3. Management of insurance and financial risk

The club is exposed to a range of insurance and financial risks through its operations as a protection and indemnity insurer.

This section summarises these risks and the way the club manages those risks (in addition to the risk management policies set out in the report of the directors).

3.1 Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. This risk can be divided into premium risk (the risk that premiums charged will not be sufficient to meet all associated claims and expenses) and reserve risk (the risk that claims reserves will be inadequate to cover either known losses, and/or unknown or undeveloped losses, such as occupational diseases. These risks are managed as follows:

Premium Risk

Premium risk is managed by clear underwriting controls including risk assessment tools, pricing models and clear authority levels. This risk monitored for undue concentrations of risk and consistency with the club’s risk appetite as set by the board. The risk management process is aided by a dedicated loss prevention function, aimed at ensuring that the club underwrites only those ship owners who operate to an acceptable standard.

Premium risk is mitigated through the acquisition of appropriate reinsurance programmes, including the International Group pooling and reinsurance programme, and also the club's own non-Pool, retention and stop-loss reinsurances. Reinsurance strategy is set by the board in line with the board's risk appetite and is designed to mitigate the insurance risk through programmes tailored to the club's exposures.

Reserve risk

Reserve risk is managed by the prompt reserving of potential losses, regular review of individual estimates and overall reserve adequacy, as well as regular, systematic claims audits and the monitoring of consistency of estimating approaches, and the modelling of technical provisions by the club's actuarial function. There were no insurance policies enforced during the financial period, as such there are no reserving risk.

3.2 Financial risk

The club is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts and borrowing), reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

Market risk

- Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities.

Interest rate risk is managed through the club's investment strategy. Debt and fixed interest securities are predominantly invested in high quality corporate and government backed bonds, with the club having defined investment guidelines that limit exposure in such holdings.

At the end of the financial period, 100% of the club's investment portfolio was invested in fixed interest assets. The weighted duration of the investment portfolio was 4.57 years.

The club has no debt liability with interest payments that vary with changes in the interest rates.

Sensitivity analysis for interest rate risk illustrates how changes in the fair value of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. An increase of 150 basis points in bond yields would result in a deficit for the club of $1,100k.

- Currency risk

The club is exposed to currency risk in respect of liabilities under insurance policies denominated in currencies other than US dollars. The most significant currencies to which the club is exposed are sterling and the euro. The club seeks to manage this risk by constraining the deviation of the currencies of the assets from the estimated currencies of the liabilities. The club will use forward currency contracts to protect currency exposures and maintain investment policy benchmarks.

At 20 February 2019, had sterling strengthened by 10% against the US dollar with all other variables held constant, the surplus for the period would have been $3.3k lower. Had the euro strengthened by 10% against the US dollar with all other variables held constant, the surplus for the period would have been $71.5k higher.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. During the financial period the club had not begun underwriting, as such the primary financial assets held were investments and cash. Key areas where the club will be exposed to credit risk from the next financial period are:

- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid
- amounts due from members
- counterparty risk with respect to cash and investments

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

	Total
	2019 **US$000**
Debt securities	**16,929**
Loans and receivables	**-**
Assets arising from reinsurance contracts held	**-**
Cash at bank and in hand	**5,771**
Total assets bearing credit risk	**22,700**
AAA	**16,929**
AA	**5,771**
A	**-**
BBB	**-**
Not rated	**-**
Total assets bearing credit risk	**22,700**

No credit limits were exceeded during the financial period. No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the club is the obligation to pay claims to policy holders as they fall due. The club maintains holdings in short term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand.

The following table provides a maturity analysis of the club's financial assets (classes 1 to 4 combined) representing the date that a contract will mature, amounts are due for payment or the asset could be realised without significant additional cost:

	Short term assets US$000	Within 1 year US$000	1-2 years US$000	2-5 years US$000	Over 5 years US$000	Total US$000
As at 20 February 2019						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	**-**
Debt securities and other fixed income securities	16,929	-	-	-	-	**16,929**
Cash balances	5,771	-	-	-	-	**5,771**
Debtors	-	-	-	-	-	**-**
	22,700	**-**	**-**	**-**	**-**	**22,700**

Fair value estimations

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Listed quoted prices in active markets and external broker quotes which are publicly, readily and regularly available on an active market.

Level 2 - Inputs other than quoted prices included within level 1 that are observable, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

The following table presents the assets and liabilities measured at fair value at 20 February 2019.

Financial assets at fair value through the Statement of Income:

	Level 1 US$000	Level 2 US$000	Level 3 US$000	Total US$000
As at 20 February 2019				
Shares and other variable yield securities and unit trusts	-	-	-	-
Debt securities and other fixed income securities	**16,929**	**-**	**-**	**16,929**
	16,929	**-**	**-**	**16,929**

Capital management

The club maintains an efficient capital structure from the use of members' funds (reserves) along with the ability to make unbudgeted calls, if required, consistent with the club's risk profile and the regulatory and market requirements of its business.

The club's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to satisfy the requirements of its members and meet regulatory requirements
- to maintain an 'A' rating with Standard and Poor's
- to manage exposures to movement in exchange rates
- to retain financial flexibility by maintaining strong liquidity

The club is subject to the Solvency II European Directive that came into effect on 1 January 2016. Under Solvency II regulations, the club is required to maintain the Minimum Capital Requirement ("MCR") and the Solvency Capital Requirement ("SCR") at all times. The capital requirements are calculated by reference to the standard formula as defined in Solvency II, to ensure the club has adequate capital and financial resources to fulfil its obligations. The MCR is the level of capital below which the club would be deemed insolvent for regulatory purposes. If the club were to fall below the SCR threshold, the CBI is authorised to take action to restore the financial position of the club. At 20 February 2019, the club is in full compliance with these requirements.

4. Net operating expenses

	Total
	2019 **US$000**
Administrative expenses	
General expenses	**1**
Directors fees	**6**
Auditors' remuneration for audit of the financial statements	**14**
Auditors' remuneration for other services	**19**
Net operating expenses	**40**

Two directors of the club are also directors of the ultimate parent undertaking from whom they receive remuneration for their services. Total directors' remuneration during the financial period was $6k. The club has no employees.

Fees payable to the club's auditors for audit of the financial statements was $14k. Auditors' remuneration for other services consist of audit-related assurance services of $19k. Taxation compliance services were nil.

5. Tax on loss on ordinary activities

	Total
	2019
	US$000
Analysis of charge in the financial period	
Total current tax charge	(5)
Tax on loss on ordinary activities	**(5)**

Factors affecting the tax charge for the financial period

The tax charge for the period is at the standard rate of corporation tax in Ireland of 25%. The differences are explained below:

	Total
	2019
	US$000
Loss on ordinary activities before taxation	**(20)**
Corporation tax credit at 25%	5
Effects of:	
Income and expenses in the technical account not assessable for tax purposes	(10)
Total tax charge for the period	**(5)**

Corporation tax is charged on the club's investment income and non-mutual activities. The mutual activities of the club, as set out in the technical account in the Statement of Income, are not subject to corporation tax.

6. Other financial investments

	Total
	2019
	US$000
Financial assets at fair value through the Statement of Income	16,929
Total financial assets at market value	**16,929**
Financial assets at fair value through the Statement of Income	16,929
Total financial assets at cost	**16,929**
Included in the carrying values above are amounts in respect of listed investments as follows:	
- Shares and other variable-yield securities and units in unit trusts	-
- Debt securities and other fixed income securities	16,929
Total listed investments	**16,929**
Total financial assets at market value	**16,929**

7. Share capital

At 20 February 2019, the authorised share capital of the club is 635,000 shares all of which were issued and fully paid as ordinary common shares, with a par value of EUR1 per share.

The club has one class of ordinary shares which carry no right to fixed income. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up. The club's sole shareholder is its parent, Standard Club.

8. Capital contribution

During the financial period to 20 February 2019, the club received capital contributions of $20m from its parent, The Standard Club Ltd.

See Note 3 for the club's approach to capital management.

9. Dividends

The directors have not paid a dividend during the financial period. The directors are not proposing a final dividend for the financial period 13 August 2018 to 20 February 2019.

10. Ultimate parent undertaking

The directors regard The Standard Club Ltd, a company registered in Bermuda, as the immediate and ultimate parent undertaking and ultimate controlling party. Copies of the consolidated financial statements of The Standard Club Ltd can be obtained from the registered office: Swan Building, 26 Victoria Street, Hamilton HM 12, Bermuda or can be downloaded from www.standard-club.com.

11. Capital and other commitments

The club had no capital or other commitments at 20 February 2019.

12. Related parties

The club is controlled by the members who are also its insureds. All members enter into insurance contracts negotiated with the club's managers on arm's length terms. These transactions are therefore with related parties and are the only transactions between the club and the members. The aggregate of these transactions is disclosed in these financial statements.

One of the five directors at the end of the financial period is a representative of a member company. Three are expert non-executive directors of which one is also a director and a shareholder of Charles Taylor plc. The fifth is a senior employee and a shareholder of Charles Taylor plc. Other than the insurance and membership interest of the member director's companies, the directors have no financial interests in the club.

13. Approval of financial statements

The Directors approved the financial statements on 7 May 2019.

OTHER INFORMATION

MANAGERS AND OFFICERS

Managers
Charles Taylor & Co (Bermuda)

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Charles Taylor Administration Services Limited

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