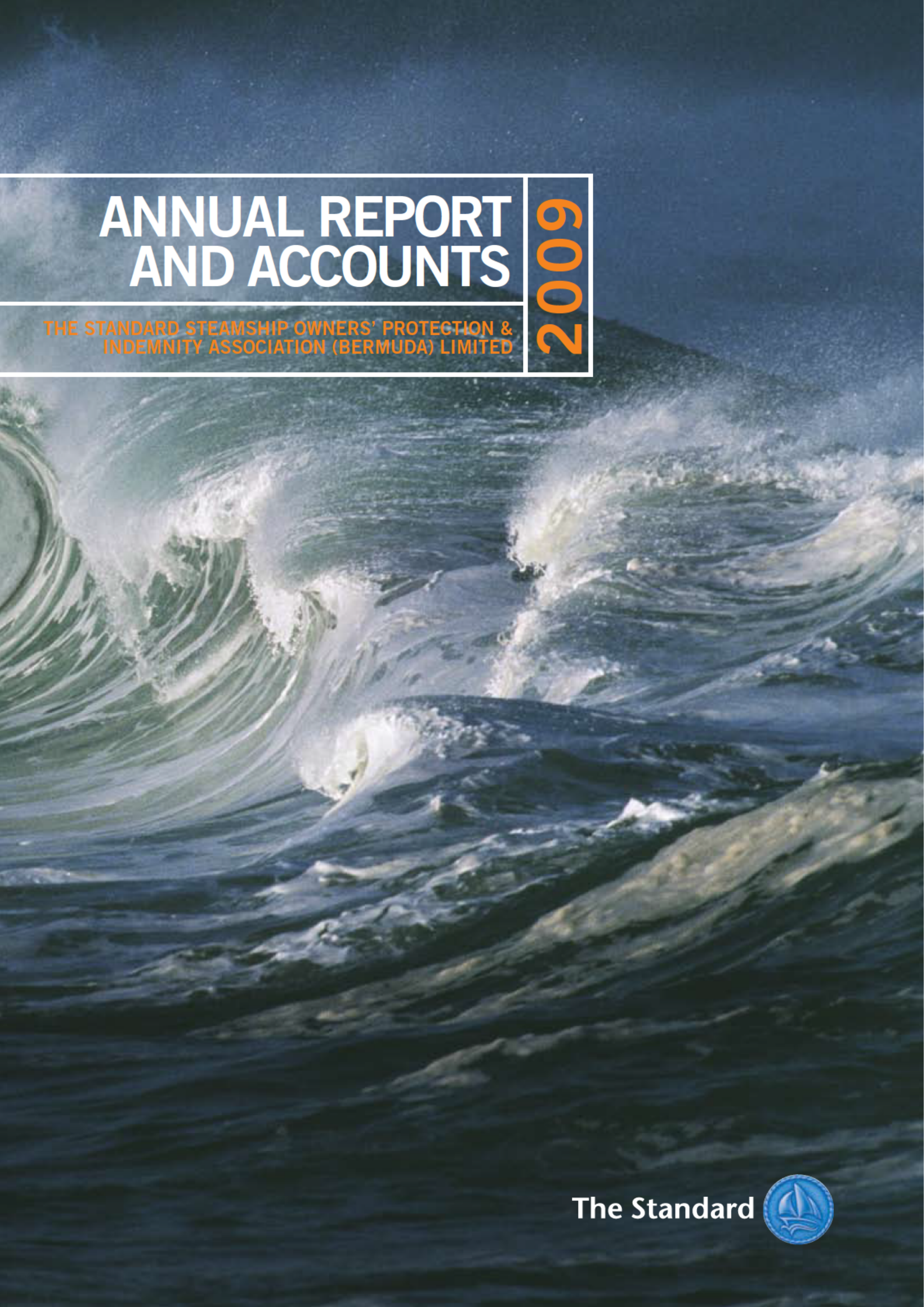


ANNUAL REPORT AND ACCOUNTS 2009

THE STANDARD STEAMSHIP OWNERS' PROTECTION & INDEMNITY ASSOCIATION (BERMUDA) LIMITED

The Standard

CONTENTS

DIRECTORS 01

R Menendez Ross
President and Chairman
Ultrapetrol (Bahamas) Ltd

The Hon Sir John W Swan KBE JP
Vice President
Bermuda

J de Sendagorta
Deputy Chairman
Maritima del Norte
(Resigned 10 October 2008)

R M Jones
Deputy Chairman
CSL Group Inc

C Peraticos
Deputy Chairman
Pleiades Shipping Agents SA

N Aksoy
Akmar Holding SA

L D'Amato
Fratelli D'Amato SpA

C D'Amico
D'Amico Societa di Navigazione SpA

J Andrasick
Matson Navigation Company Inc

T G Bernardino
Loadstar International Shipping Inc

A Bernini
Saipem SpA
(Resigned 10 October 2008)

F Blanchelande
SBM Production Contractors

G Bozzini
Saipem SpA
(Appointed 27 January 2009)

B Chan
Teekay Shipping (Canada) Ltd
(Appointed 27 January 2009)

R Clarke
British Columbia Ferry Services Inc

P Clerici
Coeclerici SpA

J N Das
The Shipping Corporation of India
(Appointed 10 October 2008)

T Dool
Algoma Central Corporation
(Resigned 15 May 2009)

M A Ghannam
Qatar Gas Transport Company Ltd (Nakilat)
(Appointed 15 May 2009)

B Harinsuit
The Harinsuit Transport Co Ltd

E L Johnsen
International Shipholding Corporation

D C C Koo
Valles Steamship Co Ltd
(Appointed 15 May 2009)

J B Rae-Smith
Swire Pacific Offshore Ltd

J F Reinhart
Maersk Line Ltd

S S Teo
Pacific International Line (Pte) Ltd

W D Thomson
Bermuda

F C P Tsai
Oak Maritime (Canada) Inc

G Westgarth
Teekay Shipping (Canada) Ltd
(Resigned 23 June 2008)

A J Groom
Manager

J S M Rowe
Manager

02

“The turmoil in world markets over the past year proved how important it is that your club has sound financial characteristics. We were able to face this crisis from a position of strength with sufficient resilience to cope with the economic storms that have challenged the club and its members. The club has provided its members with financial stability, and has made calls below or on budget for the last 17 years.”

FINANCIAL HIGHLIGHTS 2009
COMBINED P&I AND DEFENCE CLASSES

	2009 US$m	2008 US$m
Results for the financial year ended 20 February 2009		
Calls and premiums net of reinsurance	**174**	132
Total claims net of reinsurance and operating expenses	**(132)**	(152)
Balance of technical account for general business	**42**	(20)
Net investment income	**(92)**	29
(Shortfall)/excess of income over expenditure for the year	**(50)**	9
Outstanding claims liabilities		
Estimated known outstanding claims net of all recoveries	**282**	284
Incurred but not reported claims (IBNR)	**110**	118
Total estimated claims liabilities	**392**	402
Funds available for claims		
Open policy years	**192**	189
Closed policy years	**200**	213
Free reserves	**176**	226
Total balance sheet funds	**568**	628

04

“Members tell us that service is the most important feature of their club membership. In these difficult times, we believe that it is more important than ever to stand behind members and provide them with the support that they need, consistent with financial integrity and equity between members.”

R MENENDEZ ROSS
CHAIRMAN

"We have always said that it is who the members are, rather than how many members there are, that counts."

The turmoil in world markets over the past year proved how important it is that your club has sound financial characteristics. We were able to face this crisis from a position of strength with sufficient resilience to cope with the economic storms that have challenged the club and its members. The club has provided its members with financial stability, and has made calls below or on budget for the last 17 years. The strong free reserves of the club, a realistic pricing policy and selective underwriting have proven to be important elements in preserving the club's financial integrity during these very difficult times.

The club has solid fundamentals and we have had a successful renewal, with both premiums and tonnage up. However, the free reserves, while still within an acceptable range, having ended the year slightly below the level of last year's premium income, are now somewhat lower than we would like to see them. Once the world financial crisis is behind us, the focus will be to restore the free reserves to a level that bears a similar relationship to the volume of the club's business as existed last year.

The overall financial result this year reflects two key features: a loss on investments and an underwriting surplus, both accentuated by the strengthening of the US dollar. The investment loss, while substantial and regrettable, will not be a surprise to anyone. The loss was somewhat below that which would have been sustained had we maintained a neutral benchmark position, reflecting the fact that we took a more risk-averse position as the year progressed.

The club has always taken a prudent approach to claims reserving, and continues to do so. During the year, it became apparent that the underwriting performance of the last few years has been better than our cautious approach has recognised, and we have been able to release some unnecessary claims reserves from past policy years. In fact, even the policy year just ended is performing slightly better than we originally budgeted. The result is an underwriting surplus, with a combined ratio on the P&I class for the financial year of 76%.

The underwriting performance on a policy year basis still shows a small loss but the recent renewal is expected to improve that position for the current year. The defence class has produced a positive underwriting result, but there is a significant upturn in claims in the current freight markets from charterparty non-performance disputes and the like.

Pool claims in the most recent year were well down on the previous two years, at least as reported by the year end. We are pleased that the International Group has adjusted the pool contribution mechanism and continues to keep it under review, although the club still has a significant 'surplus' on its pool record.

There was no doubt that the recent renewal saw a close examination by shipowners of clubs' relative performances and strength, and the club gained business. The club's tonnage and premium income in the current policy year again stand at record levels. While we can expect chartering volumes to be down on last year, owned tonnage has increased again. We are pleased at the continuing support for the club shown at this renewal by our existing members as well as the confidence shown in us by some first class new members who have joined the club this year but we have always said that it is who the members are, rather than how many members there are, that counts. Growth is not the prime aim of the club. Our aims are to provide good financial security and first class service to the existing members.

Members tell us that service is the most important feature of their club membership. In these difficult times, we believe that it is more important than ever to stand behind members and provide them with the support that they need, consistent with financial integrity and equity between members. One of the key features of the clubs is their ability to consider paying claims which are not automatically covered. Every year the board considers several of these and its starting point is that if it can reasonably and fairly help the member, it will.

Risk is a key focus for the club. At board meetings we continue to assess the risks facing the club and the degree of risk which it is appropriate for the club to accept. This does not just apply to investment risk, but also to underwriting, operational, market, liquidity and other areas of risk. The board reviews the degree of risk taken, risk management and mitigation actions, internal controls and audits to ensure compliance, and also reviews risk incidents and near misses. Key to managing risk is diversification, and the board keeps under review the composition of the club's membership as well as that of its assets.

We were pleased to welcome to the board during the year Giulio Bozzini of Saipem, Bruce Chan of Teekay, JN Das of the Shipping Corporation of India, Muhammad Ghannam of Nakilat and David Koo of Valles Steamship. Alessandro Bernini, Tim Dool and Graham Westgarth retired from the board, and I would like to express my thanks to them for their contribution to the club's affairs. Javier de Sendagorta, one of the board's deputy chairmen, also retired and we are all indebted to him for his great commitment to the club and the board.

R Menendez Ross
Chairman
15 May 2009

06 REPORT OF THE DIRECTORS

BUSINESS REVIEW

"The club has solid fundamentals and we have had a successful renewal, with both premiums and tonnage up...We are pleased at the continuing support for the club shown at this renewal by our existing members as well as the confidence shown in us by some first class new members who have joined the club this year."

Principal activities

The principal activities of the club and its subsidiaries during the year were the insurance and reinsurance of marine protection and indemnity and related risks on behalf of the members. At 20 February 2009, there were approximately 83m gross tons of shipping entered in the club, which were owned, operated or chartered by approximately 310 member groups.

Directors

The directors of the club are shown on page 1 of this report. The board was pleased to welcome Giulio Bozzini, Bruce Chan, JN Das, Muhammad Ghannam and David Koo. Directors who retire by rotation in accordance with the bye-laws and who, being eligible, have offered themselves for re-election are Necdet Aksoy, Francis Blanchelande, Constantinos Peraticos, Teo Seong Seng, Bill Thomson, Fred Tsai and Teodoro Bernardino.

With the retirement of Javier de Sendagorta, Constantinos Peraticos was appointed to serve as deputy chairman alongside Rod Jones.

Meetings of the board

The board met on three occasions during the year: in Mumbai in October 2008, in Paris in January 2009 and in Bermuda in May 2009. The board reviewed the club's financial performance, significant claims, new members admitted to the club, new ships attaching, reinsurance arrangements, regulatory and tax matters, industry developments, risk management issues, and investment strategy and results. The principal issues discussed by the board, and the decisions reached, are set out below in this report. The finance and policy committee, which reviews the club's financial affairs in more detail than the full board can practically do, met on two occasions, in October 2008 and in May 2009. The chairman and deputy chairmen have also held regular discussions with the managers during the year.

Summary financial results

As set out in the income and expenditure account, there is a deficit of income over expenditure of $50m (2008: $9m surplus). Total reserves available for claims stand at $568m, compared with $628m last year. Total estimated claims liabilities, including the provision for IBNR, net of reinsurance recoveries, amounted to $392m at the year end.

Income and expenditure account

Revenue from calls, premiums and releases amounted to $205m, compared with $169m in the previous year. Paid claims, net of reinsurance recoveries, amounted to $125m, compared with $159m in the previous year. Pool and reinsurance recoveries amounted to $28m, compared with $22m in the previous year.

Average expense ratio

The average expense ratio for the club's P&I business for the five years ended 20 February 2009 is 13.6%. This has increased from 10.6% last year as a result of the significant investment loss, which is included within total income. The ratio has been calculated in accordance with the Schedule and Guidelines issued by the International Group pursuant to the International Group Agreement and is consistent with the relevant financial statements. The ratio expresses the club's expenses as a percentage of its total income. Although members' brokerage is not an expense of the club, for the sake of consistency, the ratio includes members' brokerage fees paid by members to their brokers through the agency of the club.

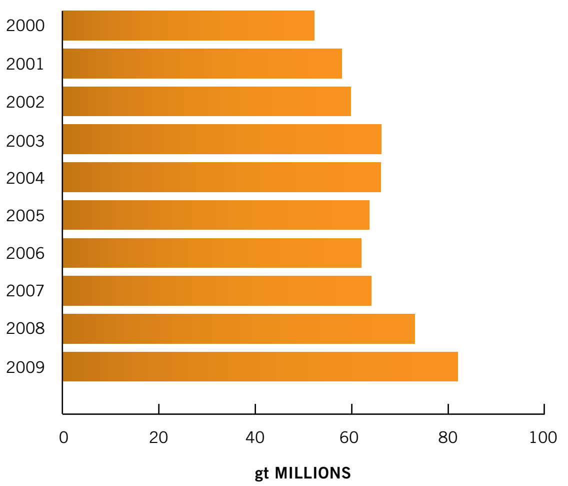
Balance sheet

The amount available to meet outstanding claims and IBNR was $568m at 20 February 2009, compared with $628m last year.

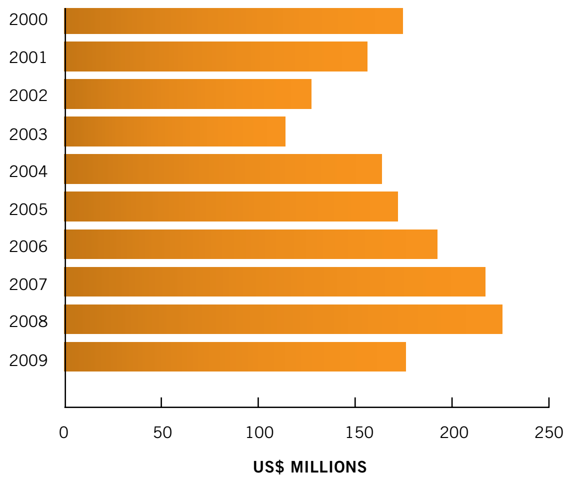
Appendices to the report – P&I class

The appendices to the report set out details of the open policy years together with the closed policy year balances. The board closed the 2006/07 policy year at its meeting on 15 May 2009 on the basis of the financial position at 20 February 2009. The total open policy year balance at 20 February 2009 amounted to $184m after closure of the 2006/07 policy year. Estimated reinsurance recoveries of $17m have been incorporated in the figures to arrive at the projected surplus at the closure of each open policy year. The estimate of net outstanding claims liabilities for the closed years amounted to $197m (including liabilities for the 2006/07 policy year).

GROSS TONNAGE



FREE RESERVES

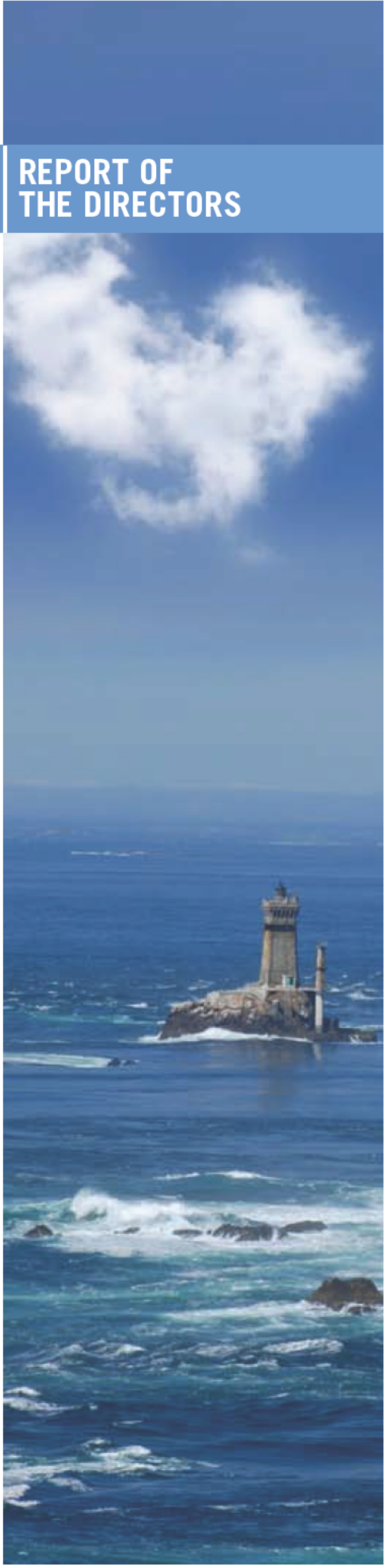


Free reserves

These represent the surpluses built up out of open and closed policy years and represent the core capital of the club. The club's free reserves reduced from $226m to $176m at the year end, reflecting the deficit on the income and expenditure account for the year, and in turn reflecting investment losses, offset to some extent by an underwriting surplus.

It is the intention of the board that the free reserves be available to be used for a number of purposes, including smoothing out the financial performance between policy years, absorbing deterioration beyond the IBNR allowed for in closed years and contributing towards catastrophe claims. The board is mindful of the level of free reserves required to maintain adequate capital to allow the club to operate prudently and to meet regulatory solvency requirements. The board will keep the reserves at a level that it believes provides adequate cover for unexpected liabilities and comfortably satisfies the required level of solvency. The board also keeps under regular review the correct relationship between the club's size and its reserves.

Needless to say, during the year and in light of the reduction in the free reserves through investment losses, the board has considered whether a supplementary call was necessary or advisable. The board has previously set guideline tests for when a supplementary call should be levied. These tests relate to the levels of outstanding claims, premium income and claims paid, and during the year, the club's reserves have not breached the tests. While financial strength is a key requirement for the club, the board's view is that financial stability is also important to members, for whom unbudgeted calls are always unwelcome, particularly in such difficult freight markets. The board has taken the view that the current level of reserves means that the club can afford to continue to operate without additional funding through supplementary calls. It would, however, like to see the reserves increase to a level that bears a similar relationship to the volume of the club's business as existed last year, once the financial crisis is behind us.



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 enables it to assess the capital required to reflect the financial impact of the business risks. There are additional financial risks, which are set out below. Some of the risks identified, particularly equity price and counterparty risk, have materialised during the year. As a result, the board has reviewed both the potential impact of those risks and the appetite for them.

Financial risk management objectives

The club is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and member liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from claims as they fall due. The most important known components of this financial risk are interest rate risk, equity price risk, currency risk, credit risk and liquidity risk.

The club manages these positions within an investment strategy that has been developed with the following objectives:

(i) to preserve capital for the payment of the club's claims and other liabilities by limiting the risk in the portfolio as agreed from time to time by the board.

(ii) within the risk tolerance agreed by the board, to maximise the overall returns as measured over rolling three-year periods.

Investment management meetings are generally held weekly. At these, senior managers meet with the investment team to discuss performance, asset allocation strategy and liquidity.

Interest rate risk

Interest rate risk exposure arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to members are exposed to interest rate risk. The club monitors interest rate risk by calculating the weighted average modified duration of the bond portfolio. The weighted average modified duration is an indicator of the sensitivity of the assets and liabilities to changes in interest rates.

Equity price risk

The club is exposed to equity price risk as a result of its holdings in equity investments. The majority of the investments held are listed and traded on the United States and other stock exchanges (primarily in the UK, Europe and Asia). The club has investment rules that set limits on the club's exposure to equities. There is a risk that the club could suffer a significant loss in the event of a downturn in the equity markets, and this risk materialised this year.

The club is exposed to currency risk in respect of claims liabilities denominated in currencies other than the US dollar. The most significant currencies to which the club is exposed are sterling and the euro. The club seeks to mitigate the risk by broadly matching the estimated foreign currency denominated liabilities with assets.

Credit risk

The risk is that a counterparty will be unable to pay amounts in full when due.

Key areas where the club is exposed to credit risk are:

- members
- reinsurers
- intermediaries
- third-party guarantee providers
- banks and deposit takers
- corporate bond risk within the investment portfolio
- counterparty risk with respect to derivative transactions

Member debts are low and the club has a number of ways to ensure that premiums are paid in a timely manner.

Reinsurance is used to manage insurance risk. This does not, however, discharge the club's liability as primary insurer. If a reinsurer fails to pay a claim, the club remains liable for the payment to the member. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The creditworthiness of banks and deposit takers is kept under review. Deposits are spread across a number of institutions. The club has focused on counterparty risk within both the investment portfolio and operating accounts during the year.

Included within other debtors is $15.6m (2008: nil), being the estimated current value of the net amount expected to be recovered from the club's investment in the Taylor Hedge Fund. The board has taken legal advice which confirms that the assets are recoverable, in the first instance by the administrators of Lehman Brothers who acted as prime brokers to the fund, and failing that from CAPCO, a third party insurer. The ability of CAPCO to respond to any shortfall is being monitored by the board on an ongoing basis.

Liquidity risk

The risk is that cash may not be available to pay obligations when due. The club maintains sufficient liquid securities to pay reasonably foreseeable claims payments. The club also reviews, on a regular basis, the time period required to liquidate the entire investment portfolio.

Future outlook

Although the club experienced losses in its investment portfolio during the past year, reflecting the risks identified previously and set out above, the club's financial position means that it is well positioned to continue to offer the full range of P&I and related covers to its members.

Key performance indicators

The board monitors the progress of the club by reference to the following KPIs:

	2009	2008
Tonnage gt m	83	73
Gross premium $m	205	169
Free reserves $m	176	226
Claims cover[1]	1.45	1.56
Solvency ratio %[2]	235	288
Combined ratio %[3]	76	115
Investment return %[4]	-17.4	8.6

*1. Ratio of net assets to outstanding claims

*2. Ratio of admissible reserves to required capital

*3. The ratio of total expenditure to total income, as set out in the technical account/general business section of the income and expenditure account. A ratio below 100% indicates an underwriting surplus.

*4. Return for 12 months to end of February

OPERATIONAL REVIEW

> "The board believes that the club can continue to operate successfully in its chosen field, and continues to provide a good and valued service to its members. Our club aims to set the standard for service and security, and excels at providing cover for specialist trades and ships."

Corporate governance

The club comprises members from the international shipping community and seeks to follow good governance principles that would be generally recognised throughout world markets. The club and its subsidiaries are regulated in the UK, Bermuda, Singapore and Australia as insurance operations, and the club has had particular regard for the requirements of these countries in arriving at its current practices.

The principal functions of the board are to govern and direct the club's affairs, to set overall policy and decide upon general strategic direction, to set investment strategy, to oversee risk management and compliance issues, and to direct the managers and consider their reports on all significant aspects of the club's affairs.

The board also ensures that there is a suitable allocation of responsibility between itself and the managers, that there are suitable systems of control and that the managers themselves have an appropriate structure for the club's management. The fees paid to the directors are in line with those paid in other P&I clubs. Any change to the fees paid to directors must be agreed by the club's members at a general meeting. The fee paid to the managers is determined annually following a detailed review by the finance and policy committee and due consideration by the full board, including a comparison of the cost with that in other clubs.

The board reviews on a regular basis the major business risks facing the club, their potential impact, and the systems in place to manage and mitigate those risks. It reviews internal audit reports, including audit plans and audit results, and notes for any incidents in which systems have failed or procedures have not been followed, whether any actual loss was suffered or not. The board does not have a formal audit committee, but that role is fulfilled by the finance and policy committee, which reviews in detail the club's financial statements, in conjunction with the club's auditors, as well as any significant financial issues before their consideration by the full board.

The club's managers have a code of business values in place to ensure that their work on behalf of the club is carried out with integrity and fairness.

The managers have procedures to prevent the club being involved unwittingly in money laundering or in inappropriate payments. They also have in place whistle-blowing procedures to ensure that members of their staff can raise matters of concern confidentially so that they may be appropriately investigated. The managers also have full business continuity contingency plans, which they regularly test, to ensure that the club can continue to operate in the event of a serious incident such as, for example, a terrorist event in London.

Environmental policy

The board has reaffirmed its formal environmental policy, and the managers, by whom all of the day-to-day work of the club is carried out, and who are themselves part of a publicly listed group, have also implemented an environmental policy.

The club is committed to the protection of the environment. To that end, it seeks to minimise the impact of its business on the environment and to develop the business in ways that are sustainable.

The club requires its members to comply with all relevant environmental regulations, standards and laws, and supports them in developing and maintaining best practice in their operating procedures and practices in order to minimise the impact of their businesses on the environment.

The club translates environmental policy into practical guidelines that assist implementation of responsible operating procedures amongst its membership. It regularly audits members' ships and management to monitor regulatory compliance, and to evaluate and encourage their implementation of good operating procedures. The club encourages members to be 'best in class' and looks at initiatives to help them achieve this. It will not accept for entry or continue to insure members who consistently fail to comply with regulations or who fall below acceptable standards of responsible operation.

The club is proactive in promoting and communicating loss prevention initiatives designed to reduce the impact of its members' ships on the environment.

The day-to-day business of the club is carried out by its managers, who are committed to minimising the impact on the environment of their business operations and to achieving best practice in areas in which they do have an environmental impact. The managers have taken steps to reduce their carbon footprint, and strive to minimise their energy consumption through their energy management policy and by encouraging staff to use energy thoughtfully. Where possible, the managers use energy-efficient business appliances and computers, thereby giving rise to energy savings and a reduction in emissions. Electronic document management systems have been implemented to reduce paper usage. Where practicable, the managers source their supplies from local businesses so as to minimise distribution and transport-related emissions. Suppliers are required, as far as possible, to have an appropriate environmental policy. In order to reduce travel-related emissions, the company has invested in video-conferencing facilities. As part of their environmental policy, the managers have also implemented recycling programmes.

Ethical policy

The club is committed to conducting its business affairs in a fair, proper and ethical manner, and in compliance with all applicable laws, regulations and professional standards. The club's managers have adopted a set of corporate values, which have been communicated to all staff.

Market environment

During the year, the board considered an overall review of the club's business and the market in which it operates. The shape and outlook of the marine insurance market, and the club's position in it, are kept under constant review. The board believes that the club can continue to operate successfully in its chosen field, and continues to provide a good and valued service to its members. Our club aims to set the standard for service and security, and excels at providing cover for specialist trades and ships. While valuing the traditions of P&I insurance, which have stood the test of time well, the club is always open to new ways of operating, and new aspects of the shipping business in which to offer insurance, in the interests of the membership, and the board will keep under review all options for the club's future.

Underwriting

After several years of continuous increase, the club's resources have decreased this year, wholly due to the very difficult investment markets. However, the club started the year from a position of strength and the underwriting held up well during the year.

One key feature of the year has been an improved underwriting result on a financial year basis, with the combined ratio reducing from 115% to 76%. This is largely due to improvements in the performance of the 2006/07 and 2007/08 policy years where a very cautious approach to claims forecasting had been taken, and where on further review, the underwriting performance was better than previously thought. The 2006/07 policy year was closed at the May 2009 board meeting.

The latest year's claims, which we comment on in more detail below, were a little higher than in previous years, partly reflecting an increase in the membership. The year was notable for fewer Pool claims notified by the year-end, but members' own claims were a little higher.

In the older closed years, the club has some exposure to asbestosis-related claims and the club has for many years held reserves specifically for such claims, both relating to individual claims and as a general fund to cover future notifications and deterioration. Further work has been done during the year on analysing these claims and on modelling future costs. In fact, incurred claims from asbestos-related diseases have reduced during the year. The modelling continues to suggest that the reserves held are appropriate in the context of likely future liabilities.

As mentioned below, the volume of business in the club increased again during the year, both from existing members and new members. The club's underwriting criteria remain as before – with quality of operation being of paramount importance and volume of business a distant second. Criteria have also been set to ensure a good diversification of risk from different geographical areas and ship types to ensure that there is no excessive risk concentration.

Renewal 20 February 2009

Renewal this year was always going to be another tough one. The need to redress the underwriting imbalance, referred to frequently before, was brought into sharp focus by the obvious inability to factor in any investment return, at least in the short term. This was against a backdrop of the worst shipping market for decades, at least in the dry bulk and container sectors, and the overall dire economic climate.

We set a 15% general increase, and achieved a result close to this. We sought and obtained increases in deductibles, particularly where these were low. We respect the fact that many members agreed premium and deductible rises, which they could ill afford in their current trading conditions, and we are grateful for their support. We retained virtually all members in the club and attracted some new ones, and others added more tonnage, owned or chartered, to their entries in the club. As a result, the club's entered tonnage stood at another record high level following the renewal this year.

Solvency and capital management

As mentioned earlier in this report, the board ensures that sufficient assets are held to meet insurance solvency regulations (as specified by the Financial Services Authority), which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities.

The club aims to maintain sufficient capital to comfortably meet all capital requirements. At 20 February 2009, the ratio of admissible (under FSA regulations) reserves to required capital stood at 235% (2008: 288%).

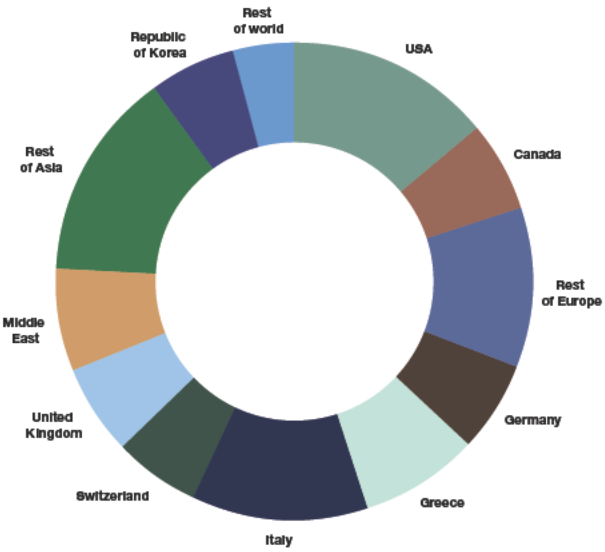
Last year, we commented in detail on the way in which European regulators were approaching Solvency II, and highlighted certain ways in which the way that the club operates might have to be reviewed, depending on how the solvency regime is ultimately enacted.

During the past year, progress has been made toward adopting the framework directive, and of particular importance to this club are the provisions relating to the recognition of the right to make supplementary calls as a part of the allowable tier 2 capital of the club in satisfying the proposed new solvency requirements. While the framework directive is now closer to adoption, this is still somewhat later than originally planned. However, the aim is still to have the new regulatory regime in place by 2012.

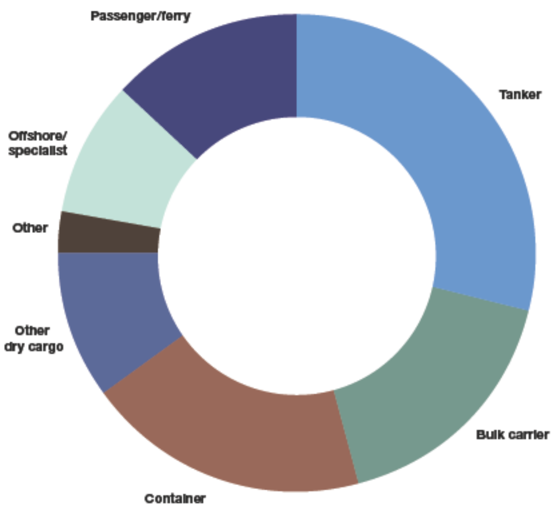
As part of the steps taken by the club in meeting future solvency requirements, we have updated and enhanced our internal capital model. This will improve our forecasting and risk management procedures, in addition to ensuring compliance with the new regulations expected from Solvency II.

In the meantime, as stated above, the club exceeds current solvency requirements, both on the traditional regulatory formula basis, and on the basis of the club's own (enhanced) risk-based ICA modelling. Last year, reserves were some three times the level required to withstand a one-in-200-year event, and although that position has reduced somewhat this year, the position is still adequate.

GEOGRAPHICAL DISTRIBUTION



SHIP TYPES



Investments

This year has been without doubt the most difficult year for investments in living memory. The board has devoted more time to the club's investments than to anything else. The club's portfolio lost 17.4% during the year, compared to a benchmark return of minus 22.9%. The losses were sustained principally in the club's equity portfolio and to a lesser extent in the alternative investments.

The board has set a benchmark consisting of 58% bonds and 42% equities, with permissible ranges either side of these figures, to ensure an appropriate mix of risk and reward, and also to ensure that extreme positions are not taken, either too high or too low, with diversification and meaningful holdings in both main asset classes being maintained in all states of the market. As at 29 February 2008, the club's portfolio had allocations of 37% in bonds, 30% in equities, 19% in absolute return hedge funds and 14% in cash and equivalents. The minimum level for equities under the club's own investment rules was 27%, so equities were near the lowest permissible level.

During the year, in order to reduce exposure to equities which were looking over-priced, the first equity sale occurred in early March 2008 and further disinvestment from equities took place thereafter, moving equities to the lowest level permitted under our internal rules. The portfolio was defensively positioned when the major setback in equity markets took place in October, when at the end of the month, equities stood at 23%, At 28 February 2009, the equity weight was 25%. Equities therefore stood, and continue to stand, below the rules minimum, but the board has suspended the minimum equity holding, in order to ensure the return of capital at the expense of a return on capital. The board is comfortable at retaining equities at around this level pending stabilisation of the market and a further review of appropriate long-term asset allocation.

More cash was kept in the portfolio during the year, but even cash has not been a cast-iron safe investment, with both money-market funds and bank deposits being much riskier than ever before. 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, spreading cash around a larger number of banks and purchasing short-dated government bonds in order reduce counterparty risk.

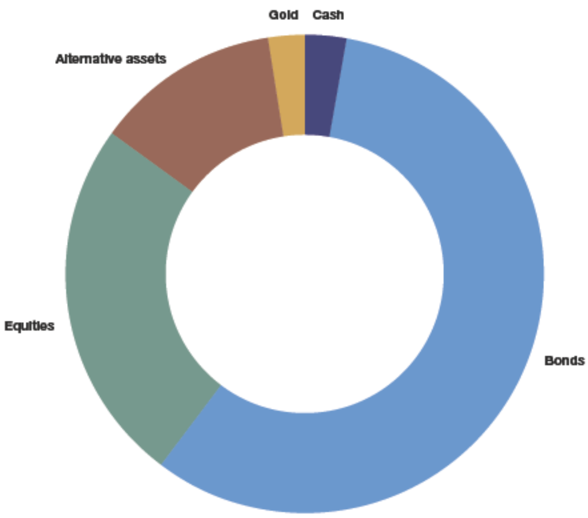
Throughout the year, virtually all of the bonds have been maintained in sovereign or other AAA rated instruments, but towards the end of the year, small amounts of money were invested in high-grade corporate bonds. During the process of reviewing counterparty risk, it was found that there was risk embedded within the cash collateral process used within the stock lending programme. The programme was stopped near the beginning of the year and continues to be reviewed.

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 two hedge funds. The parent of one hedge fund in which the club has a modest holding was itself hit by a major fraud by a customer, which has impacted the group, and the club has taken a prudent approach and written off 90% ($5.1m) of its investment in that fund. The other 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.

The asset allocation position at 28 February 2009 was 57% in bonds, 25% in equities, 15% in alternatives (including a small investment in gold) and 3% in cash.

ASSET ALLOCATION

as at 28 February 2009



The question of whether the worst is behind us is posed on a daily basis. Markets remain very volatile and, in these circumstances, we are taking a cautious approach. We reported last year that we had undertaken another asset allocation study. The study was designed to ensure that the strategic mix of assets in the investment portfolio was appropriate and reflected the degree of risk that the club wished to take. The study examined the available asset classes and the mix of those classes, and included an assessment of relative volatilities and correlations. The result was that the existing benchmark and discretionary ranges that the club had used were considered to remain appropriate.

The turbulence in the investment markets this year has tested the validity of the study's results and it is likely that adjustments to the benchmark and asset limits will be needed, but the core principles behind the investment rules remain valid. Certainly, the board will continue to keep under review the overall asset mix, and the volatility and risk assumptions in the investment rules are being re-examined. The club's risk-based capital model will reflect any changes to these.

The claims environment

The last policy year has seen a modest increase in claims in comparison with previous years, which have stabilised and in some cases improved. There have been 17 claims during the 2008/09 policy year valued at over $1m. Pool claims have been substantially lower than in the previous two years. This club had one Pool claim in the year to February 2009. Defence claims have seen a tenfold increase in activity over the last three months due to the economic downturn and collapsing freight markets.

The trend towards more high-valued claims has continued, particularly in relation to dock damage and cargo claims. In the first part of the year, high commodity prices fuelled this trend, although the economic recession has now seen a sharp reversal in the price of steel, oil and other basic commodities. Fluctuating exchange rates have also affected claim values and this is something that the managers keep under constant review.

The club has seen a higher than usual number of large claims from the offshore sector, although this is perhaps to be expected given the fact that the club now has a significant presence in this market. There are no particular claims trends detectable, however, and the club's offshore business continues to enjoy a better than average loss ratio.

One of the main drivers of claims activity is the poor quality of manning. This has inevitably suffered during the boom years with the scarcity of properly trained and experienced officers and crew. Commercial pressures have also contributed to operational shortcuts leading to accidents. Promotion of a strong safety culture throughout all levels of an organisation is still patchy and we continue to see many claims where basic procedures for safe on-board operations are ignored.

It remains to be seen how the economic recession will influence these factors. Clearly, a downturn in shipping activity should result in fewer claims, but in some areas, the effect may be paradoxical. There are likely to be more claims from disaffected crewmembers who have been laid off, and a sharp reduction in cargo values may generate speculative cargo claims.

The club has already seen a large increase in defence claims involving disputes with shipyards and charterers as daily rates fail to cover overheads and the rate of business failure increases.

In many ways, therefore, the claims environment remains uncertain. More than ever, the club's future rests on the quality of its members and a need to insure only those owners who have a commitment to operational safety, and on prudent claims estimating.

Club retention

Each International Group club continues to retain the first $7m of each claim before it enters the pooling system. We support a gradual increase in the club retention, without any particular timescale, and will consider the matter on an annual basis.

This year, there was a majority preference for an increase in the retention, but not a sufficient majority under the International Group's rules for a change to be implemented. The arguments for and against an increase are well-known and are finely balanced. The need for underwriting discipline and self-sufficiency have to be weighed against the need to maintain choice and competition in the club system.

The Pool

The last 12 months saw a reduction in the incidence and value of pool claims from the high levels of 2006 and 2007. However, pool claims are notoriously difficult to estimate and we are assuming that there will be significant deterioration from the current notified level.

We mentioned last year that we were concerned about the responsiveness of the pooling contribution mechanism. This club has been a net payer to the pool over recent years to a considerable extent and we believed that adjustments were needed if pool claims were going to be such a significant element of overall club expenditure. We are pleased to report that the clubs in the International Group have agreed some adjustments, which we believe will go some way to improving the mechanics of the system. Further analysis work is also being done to assess the viability of further adjustments. We believe that it is a strength of the system that the clubs have been willing to compromise to find a solution for the long-term good.

We are also conscious that clubs that in the past have complained about the fairness of the pool adjustment system have soon themselves experienced heavy pool claims. This is either an irony of life or a statistically likely reversion to the norm, or both.

Large deductibles

The International Group is currently debating the appropriateness of some members having very large deductibles. Although the International Group's working group is still to report on the possible implications of large deductibles, we support, in principle, both member choice and risk retention by members themselves, particularly in the more exposed areas of risk for shipowners. We think that an inclusive approach is fundamentally beneficial to the future of mutuality within the club system.

IGA 2009

In 1999, the International Group Agreement (IGA), which imposes a degree of restriction on price competition, was granted an exemption by the European Commission for 10 years from 20 February 1999. That exemption has therefore technically now expired. However, as we have previously reported, EU rules now no longer require or allow a renewal of the specific exemption, and the International Group has in effect to self-certify that the operation of the market remains similar to that which prevailed in 1999 and that the IGA is essential to support the Pooling Agreement, which in turn allows shipowners to be provided with the very high limits of cover under the Group system.

There is certainly more competition in the market than there was in 1999, but the P&I market remains essentially unchanged. The International Group's legal advice suggests that there is no reason why for the foreseeable future the International Group's operations, including the operation of the IGA should not continue as before.

Hydra

Hydra has continued to operate satisfactorily during the year. Hydra remains a valuable tool within the club system for retaining risk to the extent appropriate to do so. A lower incidence of large claims has led to a quieter year in 2008. Hydra decided to appoint a new reinsurance broker to assist it in its purchase of stop-loss reinsurance and will keep under review the efficacy of buying reinsurance at a high level.

The International Group reinsurance programme

The club's reinsurance programme has three aspects. The first is the club's participation in the International Group's pooling and excess of loss reinsurance programme. This programme continues to be the single biggest contract placed in the marine market, and virtually all of the world's reinsurers that have an appetite for this class of insurance participate in one way or another.

There was no change to the structure of the programme this year, although there was again an overall cost increase, more significant than last year, as a result of claims activity in the reinsurance layer. Individual ship type rates were also adjusted this year to allocate a slightly higher proportion of the cost to dry cargo ships, in line with their claims performance. This is always a contentious area with interest groups, and those that represent them, quite understandably lobbying before and commenting afterwards on the precise treatment. We can only say that, while it is always unpalatable for any shipowner to be asked to bear more cost, and the system can never be perfect, the Group does its very best to ensure fairness between different ship types.

Non-Pool reinsurance programme

The second aspect of the club's reinsurance programme is for those claims that fall outside the International Group's Pool and excess of loss contract. These non-poolable claims can arise on all ship types and in all trades because of the exclusions in the International Group contract, and a large proportion of the club's members benefit from the club's non-poolable covers. The heaviest users of the non-pool programme are those involved in the offshore energy and specialist sectors, whose risks are largely excluded from the Pool. The club's reinsurance programme provides limits of up to $1bn as well as great flexibility of cover. This year's renewal was completed on satisfactory terms, and we are grateful for the support shown by our brokers and our reinsurers. We believe that the partnership works well.

Retention reinsurance

The third aspect of the club's reinsurance is in respect of claims within the club's retention. Traditionally, the club's philosophy has not been to rely on extensive reinsurance protection, preferring to rely principally on the club's reserves to smooth out underwriting results. However, for a number of years, the club has had some protection against the larger claims within its retention. This protection has been useful in some of the more volatile recent years. As a general principle, our preference is to buy reinsurance that will respond in the short term – i.e. high-level excess of loss for large claims – rather than covers that will only mature into payable claims from reinsurers in many years' time, such as low-level stop-loss.

In any event, it is not our approach to rely on reinsurance to compensate for underwriting indiscipline, and we will keep under review the value and structure of the current programme.

Certification, Bunkers Convention and war and terrorism cover

This year has seen the entry into force of the Bunkers Convention. This has been relatively smooth but has caused a considerable amount of work through the issuance, both in November on first entry into force of the convention, and during renewal, of blue cards, i.e. certificates evidencing insurance by the club, submitted to states so that they in turn can issue certificates as required under the convention.

A technically difficult issue arose in relation to Bunkers Convention blue cards for certain ship types in the offshore energy sector, owing to a mismatch between the Bunkers and Limitation Conventions. The club has been instrumental in finding a pragmatic and cost-effective solution for members, which should avoid them bearing unnecessary additional certification costs. This is discussed in more detail below in the Standard Offshore section.

Members may recall that it was decided that the International Group clubs would issue certificates even though they did not exclude terrorism coverage, which the clubs only provide on an excess basis. The clubs are continuing to discuss to what extent they should assume primary war and terrorism risks as part of club cover, and there are delicately balanced arguments. The debate has continued this year and at the present time. There is not a sufficient majority within the International Group to make a change. The matter will be kept under review.

European Union third maritime safety package

The International Group continues to monitor closely, and comment as appropriate, on EU maritime matters, so that shipowners' interests are properly represented and defended.

The third maritime safety package is made up of seven items: the Port State Control Directive, the Accident Investigation Directive, the Vessel Traffic Monitoring Directive (VTM), the Passenger Liability Regulation (PLR), the Class Directive, the Flag State Directive and the Insurance Directive (formerly known as the Civil Liability Directive).

The package as a whole was adopted by the European Parliament on 10 March 2009 . Member states now have until 1 January 2012 to implement the directives into their domestic law. The PLR will, however, have direct effect, without the need for any national legislation.

The Insurance Directive requires owners of ships of 300gt and above to maintain insurance cover of the type provided by Group clubs up to the 1996 LLMC limits and to have such cover evidenced by an insurance certificate when entering an EU port. The cover evidenced by club certificates of entry will be more than adequate to meet the appropriate level of owners' liability in any EU port.

So far as the PLR is concerned, the International Group was keen to maintain the provision that member states could only apply higher limits of liability under the opt-out in the 2002 Athens Convention if all member states agreed. This did not prove possible. As a result a member state will, on an individual basis, be able to apply higher limits of liability than those set out in the convention. The directive maintains the provision on advance payments and the right of member states to continue to apply global limits under LLMC to passenger claims or to opt out of applying such limits. The Athens Convention itself is not expected to enter into force before 2011.

So far as the VTM is concerned, it is anticipated that the European Commission will put forward proposals in 2011 to deal with the mechanisms that exist in member states to compensate ports for losses not covered by existing regimes.

The European Commission remains keen to develop an EU transport regime applicable either to multi-modal transport between member states, or to international transport so long as the carriage begins or ends in a member state, and is in the process of drafting an appropriate regulation. The International Group opposes this initiative on the basis that it would lead to conflicts with other liability regimes.

Ship quality, operational standards and loss prevention

The club remains committed to quality over quantity: a policy which has served us well for many years and which pre-dated many of the international initiatives that have contributed to an improvement in the quality of world shipping. We aim to attract shipowners to the club whose standards of operation are complementary to those of our existing members and to weed out those who, for whatever reason, fail to measure up.

The club continues to develop its condition survey programme both on entry and on a routine basis for existing members. In 2008/09, a total of 313 condition surveys were carried out and the data collected provides a useful way of assessing risk. Approximately half of these condition surveys are conducted by in-house surveyors.

The club continues to experience preventable claims caused by human error and a failure to follow procedures. These claims often arise from poor navigational practices or poor personal safety procedures. All are preventable and often relate to failure on the part of shoreside management to create an effective safety culture onboard.

We have introduced a new member risk review designed principally to assist the managers in assessing the suitability of shipowners for membership and improve structure in the underwriting process. In addition, it will provide useful feedback to members on ways to enhance loss prevention and risk management.

The club's safety and loss advisory committee continues to make a strong contribution to the club's risk management and educational work. It is composed of technical representatives from a broad spectrum of the club's members, and we are grateful to them for the time that they devote to the club. The committee meets three times a year to review the causes of the large claims that the club has experienced, so that lessons can be learnt for the future. Safety initiatives are also discussed and an appropriate plan of action agreed, whether this is in the form of consultation with industry figures or organisations, regulators or equipment manufacturers.

During the past year, the committee's work on lifeboat launching and drills, pre-employment medical screening of crew for pre-existing diseases and safe anchoring has come to fruition. Current work includes updating existing Masters' Guides, and further Masters' Guides on carriage of coal and steel cargoes and maintenance of ballast tanks are planned. A series of short videos on basic safety issues are being produced, which will have a strong visual impact in bringing safety concerns to the attention of crewmembers.

The managers continue to work with individual members, and groups of members, on ship-board safety and loss prevention through presentations and participation in seminars, often in conjunction with members' own crew education programmes.

Website bulletins on standard-club.com, for example on the current issues of piracy and environmental changes in the United States, have been issued to keep members updated and provided with the latest advice.

> "The club remains committed to quality over quantity: a policy which has served us well for many years and which pre-dated many of the international initiatives that have contributed to an improvement in the quality of world shipping. We aim to attract shipowners to the club whose standards of operation are complementary to those of our existing members."

Member service

The club is committed to providing first-class service. To help ensure that it does so, a member and broker survey was carried out during the year. The results were published in October 2008. There were no great surprises, and the survey confirmed that, of all the important aspects of club service, claims service and financial security were the most important to members. The club scored well on both, but the survey re-emphasised the need to maintain the quality in those two areas, as well as identifying other aspects of club work where more can be done in order to ensure complete member satisfaction.

Standard Offshore

The club's membership in this sector continues to increase with new offshore accounts and organic growth in the existing membership in all sectors of the industry and around the world. The club has continued to organise Offshore Forums, and to provide speakers at industry seminars, which has raised the club's profile and have contributed to the successful promotion of the Standard Offshore brand. Standard Offshore is increasingly recognised for its quality membership, expertise, innovation and member-orientated approach in the offshore sector.

Standard Offshore continues to develop business cautiously but steadily in both the traditional and new offshore energy markets. We acquired eight new accounts during the course of the year, owing to those owners choosing to enter new attachments to their fleets with the club rather than add them to an existing entry with other clubs.

As Standard Offshore's book of business expands, we have introduced new guidelines to ensure that the proportion of fixed premium business is monitored, and that we control our exposure to risk in respect of US-domiciled business and particularly to units working in the Gulf of Mexico.

As explained above, the club was also able to assist its members operating mobile offshore units such as FPSOs and FSOs, which are required by the Bunkers Convention to obtain certificates on production of a blue card. A mismatch between the Bunkers Convention and the Limitation Convention could have led to an increased exposure for insurers of these units issuing blue cards on the standard wording. This might have involved operators of these units in significant extra cost through an additional insurance requirement. However, we have been working with states to provide a solution, and we now have tailored wordings that are acceptable to flag states. This means that we are able to issue blue cards at no cost to members operating these units.

Standard Asia

Standard Asia continues to be a great success and the club's Asian business has increased again this year. The increase in offshore energy business in Singapore has continued, and as the club specialises in this class of business, it is well placed to benefit from this activity. We are delighted at the support that Standard Asia has received, not just from shipowner members and their brokers, but also from the Singaporean authorities, who give tremendous support and encouragement to the maritime industry

Standard Asia received the Maritime Services Provider award at the Singapore International Maritime Awards, 2009.

Tokio Marine and Nichido Fire

Our joint venture with Tokio Marine continues to develop well. We have added more tonnage to the club at each renewal since the joint venture began in 2001, and we value the members who have joined the club through this arrangement. We are pleased to report that further tonnage was entered in the club at the latest renewal. Choice is important in a competitive world and this arrangement provides it.

Revised rules

The new modernised rules were approved by the members during 2008 and entered into force on 20 February 2009. This was the first substantial overhaul in living memory and the new rules have received widespread praise from members.

IT

The managers have continued to enhance the club's IT systems during the year and inevitably most of these improvements happen behind the scenes. The core system, which was brought on line in 2006, has proved both robust and versatile, enabling the managers to respond to or implement change more effectively than they would otherwise have been able to. The entry into force of the Bunkers Convention required bunker blue cards to be issued for all ships entered in the club over 1,000gt.

Completely new rules were introduced this year, and the additional flexibility offered by the new system enabled incorporation of the rules and clause revisions into certificate production at the 2009 policy year renewal without inconveniencing members. The managers are conscious that efficient documentation is an essential part of the club's service provision.

The club's website standard-club.com was relaunched this year. The new website incorporates better functionality than its predecessor and a gateway for members and their brokers to access their own account information online. This member area enables a range of processes to be carried out on the internet. The aim is to save time and money for members and their brokers and allow instantaneous access to key information in a secure, protected environment.

DIRECTORS' RESPONSIBILITIES

The directors are required 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 fulfilling their responsibility for 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 the 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 Bermuda concerning the preparation and dissemination of financial statements may be different from that of other jurisdictions. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the club. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the club, and to prevent and detect fraud and other irregularities.

Statement of disclosure of information to auditors

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

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

2) each 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 club's auditors are aware of that information.

Auditors

PricewaterhouseCoopers has expressed their willingness to continue in office as auditors and, accordingly, a resolution to confirm their appointment will be submitted at the Annual General Meeting.

By order of the board
Charles Taylor & Co (Bermuda)
Secretary
15 May 2009

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report to the members of The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited

We have audited the financial statements of Standard Steamship Owners' Protection and Indemnity Association (Bermuda) 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 club'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 club 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, the Chairman's Statement, Financial Highlights, Directors Listing, Managers and Officers Listing 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 club'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
Chartered Accountants and Registered Auditors
London
15 May 2009

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
for the year ended 20 February 2009

	Notes	Total 2009 US$000	Total 2008 US$000	Class 1 – P&I 2009 US$000	Class 1 – P&I 2008 US$000	Class 2 – Defence 2009 US$000	Class 2 – Defence 2008 US$000
Technical account – general business							
Income							
Gross premiums written including calls	3	**205,065**	168,869	**196,794**	162,745	**8,271**	6,124
Outward reinsurance premiums	4	**(31,225)**	(36,461)	**(30,535)**	(36,028)	**(690)**	(433)
Earned calls, net of reinsurance		**173,840**	132,408	**166,259**	126,717	**7,581**	5,691
Total income		**173,840**	132,408	**166,259**	126,717	**7,581**	5,691
Expenditure							
Claims paid	6	**152,595**	181,095	**146,998**	175,964	**5,597**	5,131
Reinsurers' share	7	**(27,628)**	(22,207)	**(27,109)**	(21,280)	**(519)**	(927)
Net claims paid		**124,967**	158,888	**119,889**	154,684	**5,078**	4,204
Change in provision for claims		**(22,951)**	(14,322)	**(27,628)**	(10,726)	**4,677**	(3,596)
Reinsurers' share		**12,476**	(9,944)	**15,224**	(10,071)	**(2,748)**	127
Change in net provision for claims		**(10,475)**	(24,266)	**(12,404)**	(20,797)	**1,929**	(3,469)
Claims incurred, net of reinsurance		**114,492**	134,622	**107,485**	133,887	**7,007**	735
Net operating expenses	8	**17,490**	17,842	**17,163**	17,491	**327**	351
Total expenditure		**131,982**	152,464	**124,648**	151,378	**7,334**	1,086
Balance on the technical account for general business		**41,858**	(20,056)	**41,611**	(24,661)	**247**	4,605
Non-technical account							
Balance on the technical account for general business		**41,858**	(20,056)	**41,611**	(24,661)	**247**	4,605
Investment income	5	**51,384**	76,330	**48,474**	74,209	**2,910**	2,121
Investment expenses and charges							
Investment management expenses	5	**(2,490)**	(4,170)	**(2,467)**	(4,145)	**(23)**	(25)
Losses on realisation of investments	5	**(22,484)**	(4,624)	**(22,045)**	(4,624)	**(439)**	–
Unrealised losses on investments	5	**(110,278)**	(43,521)	**(102,038)**	(41,874)	**(8,240)**	(1,647)
Exchange (losses)/gains		**(10,222)**	6,195	**(9,861)**	5,804	**(361)**	391
(Shortfall)/excess of income over expenditure before tax		**(52,232)**	10,154	**(46,326)**	4,709	**(5,906)**	5,445
Tax credit/(charge)	9	**568**	(1,478)	**561**	(1,430)	**7**	(48)
(Shortfall)/excess of income over expenditure after tax		**(51,664)**	8,676	**(45,765)**	3,279	**(5,899)**	5,397
Minority interest		**1,214**	51	**1,214**	51	–	–
(Shortfall)/excess of income over expenditure for the financial year transferred (from)/to contingency reserve		**(50,450)**	8,727	**(44,551)**	3,330	**(5,899)**	5,397

There are no recognised gains or losses other than those included in the income and expenditure account.
The income, expenditure and results for the year are wholly derived from continuing activities.

The notes on pages 30 to 43 form part of the accounts.

CONSOLIDATED BALANCE SHEET
at 20 February 2009

	Notes	Total 2009 US$000	Total 2008 US$000	Class 1 – P&I 2009 US$000	Class 1 – P&I 2008 US$000	Class 2 – Defence 2009 US$000	Class 2 – Defence 2008 US$000
Assets							
Investments							
Other financial investments	12	**431,681**	471,111	**409,628**	444,641	**22,053**	26,470
Reinsurers' share of technical provisions							
Claims outstanding	11	**68,132**	80,608	**63,579**	78,803	**4,553**	1,805
Debtors							
Debtors arising out of direct insurance operations	16	**47,562**	42,688	**46,181**	41,658	**1,381**	1,030
Other debtors	17	**76,459**	80,501	**69,741**	80,490	**6,718**	11
		124,021	123,189	**115,922**	122,148	**8,099**	1,041
Other assets							
Tangible assets	14	**27,186**	6,075	**27,186**	6,075	–	–
Cash at bank and in hand		**43,190**	115,226	**39,406**	111,361	**3,784**	3,865
Prepayments and accrued income		**18,661**	18,620	**18,088**	18,225	**573**	395
		89,037	139,921	**84,680**	135,661	**4,357**	4,260
Total assets		**712,871**	814,829	**673,809**	781,253	**39,062**	33,576
Liabilities							
Reserves							
Statutory reserve		**240**	240	**240**	240	–	–
Contingency reserve	18	**175,432**	225,882	**160,908**	205,459	**14,524**	20,423
		175,672	226,122	**161,148**	205,699	**14,524**	20,423
Minority interest		**1,454**	2,668	**1,454**	2,668	–	–
Technical provisions							
Gross claims outstanding	11	**459,757**	482,708	**444,200**	471,828	**15,557**	10,880
Creditors							
Creditors arising out of direct insurance operations		**21,173**	14,384	**20,346**	13,794	**827**	590
Other creditors including taxation		**54,287**	88,089	**47,437**	88,010	**6,850**	79
		75,460	102,473	**67,783**	101,804	**7,677**	669
Accruals		**217**	430	**205**	419	**12**	11
Deferred tax	10	**311**	428	**237**	356	**74**	72
Current account between classes		–	–	**(1,218)**	(1,521)	**1,218**	1,521
		75,988	103,331	**67,007**	101,058	**8,981**	2,273
Total liabilities		**712,871**	814,829	**673,809**	781,253	**39,062**	33,576

The financial statements on pages 26 to 43 were approved by the board of directors on 15 May 2009 and were signed on its behalf by:

R Menendez Ross *Director*

15 May 2009

The notes on pages 30 to 43 form part of the accounts.

BALANCE SHEET
at 20 February 2009

	Notes	Total 2009 US$000	Total 2008 US$000	Class 1 – P&I 2009 US$000	Class 1 – P&I 2008 US$000	Class 2 – Defence 2009 US$000	Class 2 – Defence 2008 US$000
Assets							
Investments							
Investments in group undertakings and participating interests	15	**8,650**	8,650	**8,650**	8,650	**–**	–
Other financial investments	12	**5,771**	22,890	**4,217**	20,660	**1,554**	2,230
		14,421	31,540	**12,867**	29,310	**1,554**	2,230
Reinsurers' share of technical provisions							
Claims outstanding	11	**296,594**	328,511	**289,904**	321,549	**6,690**	6,962
Debtors							
Debtors arising out of direct insurance operations	16	**21,531**	22,583	**21,198**	22,162	**333**	421
Amounts due from group undertakings		**19,752**	5,287	**19,422**	5,175	**330**	112
Other debtors		**5,586**	37,637	**5,579**	37,637	**7**	–
		46,869	65,507	**46,199**	64,974	**670**	533
Other assets							
Tangible assets	14	**5,353**	6,075	**5,353**	6,075	**–**	–
Cash at bank and in hand		**6,449**	28,840	**6,100**	27,931	**349**	909
Prepayments and accrued income		**10,364**	19,331	**10,202**	19,299	**162**	32
		22,166	54,246	**21,655**	53,305	**511**	941
Total assets		**380,050**	479,804	**370,625**	469,138	**9,425**	10,666
Liabilities							
Reserves							
Statutory reserve		**240**	240	**240**	240	**–**	–
Contingency reserve	18	**28,471**	43,288	**28,041**	42,281	**430**	1,007
		28,711	43,528	**28,281**	42,521	**430**	1,007
Technical provisions							
Gross claims outstanding	11	**324,046**	360,939	**316,926**	353,401	**7,120**	7,538
Creditors							
Creditors arising out of direct insurance operations		**14,261**	3,582	**13,786**	3,636	**475**	(54)
Other creditors including taxation		**2,192**	38,587	**2,100**	38,587	**92**	–
Amounts due to group undertakings		**10,490**	32,562	**9,206**	30,428	**1,284**	2,134
Deferred tax		**249**	337	**231**	302	**18**	35
Accruals		**101**	269	**95**	263	**6**	6
		27,293	75,337	**25,418**	73,216	**1,875**	2,121
Total liabilities		**380,050**	479,804	**370,625**	469,138	**9,425**	10,666

The financial statements on pages 26 to 43 were approved by the board of directors on 15 May 2009 and were signed on its behalf by:

R Menendez Ross *Director*

15 May 2009

The notes on pages 30 to 43 form part of the accounts.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 20 February 2009

	Notes	Total 2009 US$000	Total 2008 US$000	Class 1 – P&I 2009 US$000	Class 1 – P&I 2008 US$000	Class 2 – Defence 2009 US$000	Class 2 – Defence 2008 US$000
Net cash flow from operating activities	19	**(33,379)**	(41,260)	**(35,488)**	(42,110)	**2,109**	850
Taxation							
United Kingdom Corporation Tax paid		**(1,479)**	(1,086)	**(1,408)**	(1,035)	**(71)**	(51)
Net (outflow)/inflow		**(34,858)**	(42,346)	**(36,896)**	(43,145)	**2,038**	799
Cash flows were (applied)/invested as follows							
(Decrease)/increase in cash holdings		**(72,036)**	33,476	**(71,955)**	33,412	**(81)**	64
Net portfolio investments							
Purchase of fixed-income securities		**519,781**	222,109	**501,491**	217,083	**18,290**	5,026
Purchase of equities		**76,027**	16,913	**72,220**	16,866	**3,807**	47
Sale of fixed-income securities		**(466,831)**	(187,102)	**(449,994)**	(185,181)	**(16,837)**	(1,921)
Sale of equities		**(91,799)**	(127,742)	**(88,658)**	(125,325)	**(3,141)**	(2,417)
Net cash flow from investing activities		**37,178**	(75,822)	**35,059**	(76,557)	**2,119**	735
Net (application)/investment of cash flows		**(34,858)**	(42,346)	**(36,896)**	(43,145)	**2,038**	799

The notes on pages 30 to 43 form part of the accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution

The club is incorporated in Bermuda as a company limited by guarantee and has a statutory reserve but no share capital. 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 presentation

The group financial statements have been prepared in accordance with:

- applicable accounting standards in the United Kingdom
- Section 255A 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 balance sheet of the holding company has been prepared in accordance with Section 226 of, and Schedule 9A to, the UK Companies Act 1985.

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 20.6 of the rules of the club. The statutory reserve is established in accordance with Bermudian law. 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) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the Association and its subsidiary undertakings.

(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 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.

(e) 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 for outstanding claims, including provisions for claims incurred but not reported (IBNR) and related expenses.

(f) 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 consolidated statement of operations relate to recoveries on claims incurred during the year. Outstanding claims in the balance sheet are shown gross and the reinsurance recoveries are shown as an asset.

(g) 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.

Liability and marine claims are long tail so 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 periods
- changes in the legal environment
- the effects of inflation
- changes in the mix of business
- the impact of large losses
- 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 on a case-by-case basis or projected separately 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 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.

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.

(h) Reinsurance premiums

Reinsurance premiums include premiums paid in respect of the reinsurance agreement with market underwriters and a quota-share reinsurance agreement with Standard Reinsurance (Bermuda) Limited.

(i) 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 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.

(j) Investments

The investments held by the club are shown at market value in the balance sheet. In the balance sheet of the company investments in group undertakings and participating interests are stated at cost, unless their value has been impaired, in which case, they are valued at their realisable value in use, as appropriate.

(k) Tangible assets

Tangible assets are capitalised and depreciated by equal annual installments over their estimated useful lives. The cost of the club's business systems has been capitalised as computer software. The original cost and any enhancements are written off over a ten-year period following installation. Assets in the course of construction are included in the balance sheet at their cost at the balance sheet date. Once completed, they are recategorised as investment property and included at their open market value at the balance sheet date. No depreciation is provided for.

(l) Foreign currencies

Assets and liabilities in foreign currencies are translated at the US dollar rate of exchange at the balance sheet date. 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.

(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 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 recognised 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 net taxable income from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Gross premiums written including calls

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Estimated total premium, other premiums and releases 2008/09 (2007/08)	**203,576**	165,031	**196,146**	159,677	**7,430**	5,354
Adjustment for previous policy years	**1,489**	3,838	**648**	3,068	**841**	770
Total calls and premiums	**205,065**	168,869	**196,794**	162,745	**8,271**	6,124

4. Outward reinsurance premiums

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
International Group excess of loss	**14,642**	26,911	**14,642**	26,911	**–**	–
Adjustment to prior years	**(3,323)**	1,338	**(3,323)**	1,338	**–**	–
Other premiums	**21,872**	18,915	**21,015**	18,247	**857**	668
Adjustment to prior years	**1,488**	(7,838)	**1,363**	(7,603)	**125**	(235)
Commissions	**(3,454)**	(2,865)	**(3,162)**	(2,865)	**(292)**	–
Reinsurance premiums paid	**31,225**	36,461	**30,535**	36,028	**690**	433

5. Investment return

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Investment income						
Income from equities	**2,032**	3,966	**1,950**	3,872	**82**	94
Income from fixed-income securities	**8,572**	10,305	**7,978**	9,691	**594**	614
Deposit interest	**1,993**	3,950	**1,905**	3,806	**88**	144
Gains arising on realisation of investments	**38,787**	58,109	**36,641**	56,840	**2,146**	1,269
	51,384	76,330	**48,474**	74,209	**2,910**	2,121
Investment expenses and charges						
Investment management expenses	**(2,490)**	(4,170)	**(2,467)**	(4,145)	**(23)**	(25)
Losses on realisation of investments	**(22,484)**	(4,624)	**(22,045)**	(4,624)	**(439)**	–
	(24,974)	(8,794)	**(24,512)**	(8,769)	**(462)**	(25)
Unrealised losses on investments	**(110,278)**	(43,521)	**(102,038)**	(41,874)	**(8,240)**	(1,647)
Total investment return	**(83,868)**	24,015	**(78,076)**	23,566	**(5,792)**	449

6. Claims

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Members' claims	**136,780**	157,627	**131,183**	152,496	**5,597**	5,131
Other P&I clubs' pool claims	**15,815**	23,468	**15,815**	23,468	**–**	–
Gross claims paid	**152,595**	181,095	**146,998**	175,964	**5,597**	5,131

7. Reinsurers' share of claims paid

	Total		Class 1 – P&I		Class 2 – Defence	
	2009	2008	**2009**	2008	**2009**	2008
	US$000	US$000	**US$000**	US$000	**US$000**	US$000
Claims recoverable from reinsurers	**(22,425)**	(20,284)	**(21,906)**	(19,357)	**(519)**	(927)
Claims recoverable from pool	**(5,203)**	(1,923)	**(5,203)**	(1,923)	–	–
Reinsurers' share of claims paid	**(27,628)**	(22,207)	**(27,109)**	(21,280)	**(519)**	(927)

8. Net operating expenses

	Total		Class 1 – P&I		Class 2 – Defence	
	2009	2008	**2009**	2008	**2009**	2008
	US$000	US$000	**US$000**	US$000	**US$000**	US$000
Acquisition costs						
Management fee	**5,527**	6,051	**5,363**	5,873	**164**	178
General expenses	**1,503**	1,408	**1,503**	1,408	–	–
General administration costs						
Management fee	**5,751**	5,772	**5,596**	5,605	**155**	167
General expenses	**2,312**	2,281	**2,308**	2,278	**4**	3
Depreciation	**722**	722	**722**	722	–	–
Safety and loss control	**1,030**	814	**1,030**	814	–	–
Directors' fees	**263**	266	**263**	266	–	–
Auditors' remuneration for audit services	**206**	202	**203**	200	**3**	2
Auditors' remuneration for non-audit services	**176**	326	**175**	325	**1**	1
Net operating expenses	**17,490**	17,842	**17,163**	17,491	**327**	351

During the year the group (including its overseas subsidiaries) obtained the following services from the group's auditor as detailed below:

	Total		Class 1 – P&I		Class 2 – Defence	
	2009	2008	**2009**	2008	**2009**	2008
	US$000	US$000	**US$000**	US$000	**US$000**	US$000
Audit services						
Fees payable to the club's auditor for the audit of the parent company and consolidated accounts	**87**	99	**85**	97	**2**	2
The audit of the club's subsidiaries, pursuant to legislation	**84**	63	**83**	63	**1**	–
Non-audit services						
Fees payable to the club's auditor and its associates for other services:						
(a) Other services pursuant to legislation, including the audit of the regulatory return	**17**	17	**16**	17	**1**	–
(b) Tax services	**159**	309	**159**	308	–	1
	347	488	**343**	485	**4**	3
Other auditors	**35**	40	**35**	40	–	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. Tax (credit)/charge

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Analysis of (credit)/charge in the period						
Current tax						
Corporation tax at 28% (2008 30%)	**15**	2,035	**15**	1,952	**–**	83
Prior year						
(Over)/under provision for prior years	**(467)**	186	**(458)**	185	**(9)**	1
Deferred tax						
Origination and reversal of timing differences	**(116)**	(743)	**(118)**	(707)	**2**	(36)
Total tax (credit)/charge	**(568)**	1,478	**(561)**	1,430	**(7)**	48
Factors affecting tax (credit)/charge for the period						
(Shortfall)/excess of income over expenditure before tax	**(52,232)**	10,154	**(46,326)**	4,709	**(5,906)**	5,445
Multiplied by the standard rate of tax at 28% (2008 30%)	**(14,625)**	3,047	**(12,971)**	1,413	**(1,654)**	1,634
Expenses/(income) not assessable for tax purposes	**13,908**	(1,089)	**12,506**	463	**1,402**	(1,552)
Unrealised gains spread for tax purposes	**72**	77	**56**	76	**16**	1
Tax losses carried forward	**660**	–	**424**	–	**236**	–
Prior year tax (credit)/charge	**(467)**	186	**(458)**	185	**(9)**	1
Current tax	**(452)**	2,221	**(443)**	2,137	**(9)**	84

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

10. Deferred tax

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Unrecognised						
Unrecognised deferred tax asset at 21 February 2008	**–**	–	**–**	–	**–**	–
Unrecognised deferred tax movement	**660**	–	**424**	–	**236**	–
Unrecognised deferred tax asset at 20 February 2009	**660**	–	**424**	–	**236**	–
Tax losses carried forward	**660**	–	**424**	–	**236**	–
	660	–	**424**	–	**236**	–
Recognised						
Recognised deferred tax liability at 21 February 2008	**(428)**	(1,170)	**(356)**	(1,062)	**(72)**	(108)
Recognised deferred tax movement	**117**	742	**119**	706	**(2)**	36
Recognised deferred tax liability at 20 February 2009	**(311)**	(428)	**(237)**	(356)	**(74)**	(72)
Unrealised gains on investments revalued every year	**(311)**	(154)	**(237)**	(46)	**(74)**	(108)
Timing differences	**–**	(274)	**–**	(310)	**–**	36
	(311)	(428)	**(237)**	(356)	**(74)**	(72)

Tax losses are held in respect of unrealised losses on the investment portfolio. These losses are only relievable against future investment profits and, consequently, no deferred tax asset has been recognised.

11. Claims outstanding

The board closed the 2006/07 policy year at its meeting on 15 May 2009.
The table below provides the position after closure.

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Group						
Open years						
Claims	**211,697**	223,193	**201,233**	217,233	**10,464**	5,960
Reinsurance recoveries	**(19,785)**	(33,820)	**(17,286)**	(33,575)	**(2,499)**	(245)
Net claims provision for open years	**191,912**	189,373	**183,947**	183,658	**7,965**	5,715
Closed years						
Claims	**248,060**	259,515	**242,967**	254,595	**5,093**	4,920
Reinsurance recoveries	**(48,347)**	(46,788)	**(46,293)**	(45,228)	**(2,054)**	(1,560)
Net claims provision for closed years	**199,713**	212,727	**196,674**	209,367	**3,039**	3,360
Total						
Claims	**459,757**	482,708	**444,200**	471,828	**15,557**	10,880
Reinsurance recoveries	**(68,132)**	(80,608)	**(63,579)**	(78,803)	**(4,553)**	(1,805)
Net claims provision	**391,625**	402,100	**380,621**	393,025	**11,004**	9,075
Company						
Open years						
Claims	**120,340**	166,324	**117,696**	163,207	**2,644**	3,117
Reinsurance recoveries						
– external	**(13,612)**	(31,241)	**(12,852)**	(30,996)	**(760)**	(245)
– group	**(96,056)**	(121,574)	**(94,360)**	(118,989)	**(1,696)**	(2,585)
Net claims provision for open years	**10,672**	13,509	**10,484**	13,222	**188**	287
Closed years						
Claims	**203,706**	194,615	**199,230**	190,194	**4,476**	4,421
Reinsurance recoveries						
– external	**(35,910)**	(5,432)	**(33,855)**	(3,896)	**(2,055)**	(1,536)
– group	**(151,016)**	(170,264)	**(148,837)**	(167,668)	**(2,179)**	(2,596)
Net claims provision for closed years	**16,780**	18,919	**16,538**	18,630	**242**	289
Total						
Claims	**324,046**	360,939	**316,926**	353,401	**7,120**	7,538
Reinsurance recoveries						
– external	**(49,522)**	(36,673)	**(46,707)**	(34,892)	**(2,815)**	(1,781)
– group	**(247,072)**	(291,838)	**(243,197)**	(286,657)	**(3,875)**	(5,181)
Net claims provision	**27,452**	32,428	**27,022**	31,852	**430**	576

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. Other financial investments

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Group						
At market value						
Debt securities and other fixed-income securities	**272,815**	240,938	**257,954**	225,481	**14,861**	15,457
Shares and other variable-yield securities and unit trusts	**158,866**	230,173	**151,674**	219,160	**7,192**	11,013
Total investments at market value	**431,681**	471,111	**409,628**	444,641	**22,053**	26,470
At cost						
Debt securities and other fixed-income securities	**279,247**	229,396	**262,921**	215,499	**16,326**	13,897
Shares and other variable-yield securities and unit trusts	**183,649**	166,643	**173,747**	158,135	**9,902**	8,508
Total investments at cost	**462,896**	396,039	**436,668**	373,634	**26,228**	22,405
Company						
At market value						
Debt securities and other fixed-income securities	**3,935**	19,205	**2,442**	17,551	**1,493**	1,654
Shares and other variable-yield securities and unit trusts	**1,836**	3,685	**1,775**	3,109	**61**	576
Total investments at market value	**5,771**	22,890	**4,217**	20,660	**1,554**	2,230
At cost						
Debt securities and other fixed-income securities	**4,052**	17,899	**2,421**	16,387	**1,631**	1,512
Shares and other variable-yield securities and unit trusts	**2,774**	2,640	**2,274**	2,140	**500**	500
Total investments at cost	**6,826**	20,539	**4,695**	18,527	**2,131**	2,012

13. Management of financial risk

The following table reconciles the balance sheet to the categories used in the Group's ALM framework:

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Shares and other variable yield securities and units in unit trusts, at fair value through profit and loss:						
– listed securities	**125,191**	166,516	**122,844**	163,524	**2,347**	2,992
– unlisted securities	**33,675**	63,657	**28,830**	55,636	**4,845**	8,021
Derivative financial instruments, at fair value through profit or loss	**50,213**	65,025	**43,503**	65,025	**6,710**	–
Debt securities and other fixed income securities:						
– listed securities	**138,721**	128,088	**127,677**	117,320	**11,044**	10,768
– unlisted securities	**134,093**	112,849	**130,277**	108,160	**3,816**	4,689
Loans and receivables	**72,938**	58,164	**71,550**	57,123	**1,388**	1,041
Reinsurance assets	**69,002**	84,020	**64,448**	82,046	**4,554**	1,974
Other assets	**89,038**	136,510	**84,680**	132,419	**4,358**	4,091
Total assets	**712,871**	814,829	**673,809**	781,253	**39,062**	33,576
Claims outstanding	**459,757**	482,708	**444,200**	471,828	**15,557**	10,880
Financial liabilities under investment contracts	**46,487**	65,521	**39,826**	65,521	**6,661**	–
Provisions for other risks and charges	**311**	428	**237**	356	**74**	72
Other liabilities	**29,190**	37,382	**26,944**	35,181	**2,246**	2,201
Total liabilities	**535,745**	586,039	**511,207**	572,886	**24,538**	13,153

13. Management of financial risk continued

Credit risk

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

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Derivative financial instruments	**50,213**	65,025	**43,503**	65,025	**6,710**	–
Debt securities	**272,815**	240,938	**257,954**	225,481	**14,861**	15,457
Loans and receivables	**72,938**	54,752	**71,550**	53,880	**1,388**	872
Assets arising from reinsurance contracts held	**870**	3,412	**869**	3,243	**1**	169
Cash at bank and in hand	**43,190**	115,226	**39,406**	111,361	**3,784**	3,865
Total assets bearing credit risk	**440,026**	479,353	**413,282**	458,990	**26,744**	20,363
AAA	**254,225**	241,148	**238,474**	225,691	**15,751**	15,457
AA	**46,797**	44,831	**44,444**	43,127	**2,353**	1,704
A	**60,501**	137,551	**53,250**	135,390	**7,251**	2,161
BBB	**4,661**	–	**4,661**	–	–	–
Below BBB or not rated	**73,842**	55,823	**72,453**	54,782	**1,389**	1,041
Total assets bearing credit risk	**440,026**	479,353	**413,282**	458,990	**26,744**	20,363

The concentration of credit risk is substantially unchanged compared to prior year. No credit limits were exceeded during the 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

The table below provides a contractual maturity analysis of the group's financial liabilities:

	< 6 months or on demand		> 6 months		Total	
	Class 1 US$000	Class 2 US$000	Class 1 US$000	Class 2 US$000	**Class 1 US$000**	**Class 2 US$000**
At 20 February 2009						
Financial liabilities under investment contracts	39,826	6,661	–	–	**39,826**	**6,661**
Creditors	27,957	1,016	–	–	**27,957**	**1,016**
	67,783	7,677	–	–	**67,783**	**7,677**
At 21 February 2008						
Financial liabilities under investment contracts	65,521	–	–	–	**65,521**	–
Creditors	36,283	669	–	–	**36,283**	**669**
	101,804	669	–	–	**101,804**	**669**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Tangible assets

	Total		Computer software		Assets in the course of construction	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Group						
Book cost						
At 21 February 2008	**7,218**	7,218	**7,218**	7,218	–	–
Additions	**21,833**	–	–	–	**21,833**	–
At 20 February 2009	**29,051**	7,218	**7,218**	7,218	**21,833**	–
Depreciation						
At 21 February 2008	**1,143**	421	**1,143**	421	–	–
Charge for the year	**722**	722	**722**	722	–	–
At 20 February 2009	**1,865**	1,143	**1,865**	1,143	–	–
Net book value	**27,186**	6,075	**5,353**	6,075	**21,833**	–
Company						
Book cost						
At 21 February 2008	**7,218**	7,218	**7,218**	7,218	–	–
At 20 February 2009	**7,218**	7,218	**7,218**	7,218	–	–
Depreciation						
At 21 February 2008	**1,143**	421	**1,143**	421	–	–
Charge for the year	**722**	722	**722**	722	–	–
At 20 February 2009	**1,865**	1,143	**1,865**	1,143	–	–
Net book value	**5,353**	6,075	**5,353**	6,075	–	–

15. Investment in group undertakings and participating interests

	Classes of shares held	Year end	Principal business	% holding Group	% holding Company
Standard Reinsurance (Bermuda) Limited, incorporated in Bermuda	Ordinary	20 Feb	Reinsurance	100	100
The Standard Steamship Owners' Protection and Indemnity Association (Europe) Limited, incorporated in the United Kingdom[1]	Ordinary	20 Feb	Marine mutual	75	75
The Standard Steamship Owners' Protection and Indemnity Association (Asia) Limited, incorporated in Singapore	Ordinary	20 Feb	Marine mutual	100	20
Poseidon Insurance Company Pty Limited, incorporated in Australia[2]	Ordinary	30 Jun	Insurance	100	100
SRB Limited, incorporated in Bermuda	Ordinary	20 Feb	Broker	80	80
Taylor Hedge Fund, incorporated in Bermuda[3]	Ordinary	31 Dec	Equity investment	95	–
Hydra Insurance Company Limited (Standard Cell)[4]	Ordinary	20 Feb	Reinsurance	100	100
Essex House Limited	Ordinary	20 Feb	Property Investment	100	–

[1] 75% of voting control, no participating interest. No minority interest is shown in the group accounts because the affairs of each class are managed on a unified basis throughout the group.

[2] The results of Poseidon Insurance Company are included up to its most recent year end, 30 June 2008. Since that date, there have been no material changes to its net assets.

[3] The results of the Taylor Hedge Fund have been rolled forward from its most recent year end, 31 December 2008 to 20 February 2009.

[4] The results of Hydra Insurance Company are included up to its most recent year end, 20 February 2009.

All subsidiary undertakings are consolidated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. Debtors arising out of direct insurance operations

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Group						
Members	**46,026**	39,077	**44,722**	38,276	**1,304**	801
Intermediaries	**666**	199	**590**	139	**76**	60
Reinsurers	**870**	3,412	**869**	3,243	**1**	169
Debtors arising out of direct insurance operations	**47,562**	42,688	**46,181**	41,658	**1,381**	1,030
Company						
Members	**20,102**	16,899	**19,823**	16,707	**279**	192
Intermediaries	**639**	193	**586**	133	**53**	60
Reinsurers	**790**	5,491	**789**	5,322	**1**	169
Debtors arising out of direct insurance operations	**21,531**	22,583	**21,198**	22,162	**333**	421

17. Other debtors

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Other debtors	**76,459**	80,501	**69,741**	80,490	**6,718**	11

Included within other debtors is $15.6m (2008 nil), being the estimated current value of the net amount expected to be recovered from the club's investment in the Taylor Hedge Fund. The board has taken legal advice which confirms that the assets are recoverable, in the first instance by the administrators of Lehman Brothers who acted as prime brokers to the fund, and failing that from CAPCO, a third party insurer. The ability of CAPCO to respond to any shortfall is being monitored by the board on an ongoing basis.

18. Contingency reserve

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Group						
Balance at beginning of year	**225,882**	217,155	**205,459**	202,129	**20,423**	15,026
Transfer (to)/from non-technical account	**(50,450)**	8,727	**(44,551)**	3,330	**(5,899)**	5,397
Balance on contingency reserve at end of year	**175,432**	225,882	**160,908**	205,459	**14,524**	20,423
Company						
Balance at beginning of year	**43,288**	48,839	**42,281**	48,438	**1,007**	401
Transfer (to)/from non-technical account	**(14,817)**	(5,551)	**(14,240)**	(6,157)	**(577)**	606
Balance on contingency reserve at end of year	**28,471**	43,288	**28,041**	42,281	**430**	1,007

19. Reconciliation of operating (deficit)/surplus to net cash flow from operating activities

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
(Shortfall)/excess of income over expenditure before tax	**(52,232)**	10,154	**(46,326)**	4,709	**(5,906)**	5,445
Gains arising on realisation of investments	**(38,787)**	(58,109)	**(36,641)**	(56,840)	**(2,146)**	(1,269)
Losses arising on realisation of investments	**22,484**	4,624	**22,045**	4,624	**439**	–
Unrealised losses on revaluation of investments	**110,278**	43,521	**102,038**	41,874	**8,240**	1,647
Depreciation	**722**	722	**722**	722	**–**	–
Decrease/(increase) in debtors	**4,307**	(27,109)	**12,927**	(26,380)	**(8,620)**	(729)
(Decrease)/increase in net claims provision	**(10,475)**	(24,266)	**(12,404)**	(20,797)	**1,929**	(3,469)
(Decrease)/increase in creditors	**(69,676)**	9,203	**(77,849)**	9,978	**8,173**	(775)
Net cash flow from operating activities	**(33,379)**	(41,260)	**(35,488)**	(42,110)	**2,109**	850

20. Movement in opening and closing portfolio investments

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Net cash flow for the year	**(72,036)**	33,476	**(71,955)**	33,412	**(81)**	64
Portfolio investments	**37,178**	(75,822)	**35,059**	(76,557)	**2,119**	735
Movement arising from cash flows	**(34,858)**	(42,346)	**(36,896)**	(43,145)	**2,038**	799
Change in market value	**(76,608)**	24,112	**(70,072)**	24,491	**(6,536)**	(379)
Total movement in portfolio investments	**(111,466)**	(18,234)	**(106,968)**	(18,654)	**(4,498)**	420
Portfolio investments at 21 February 2008	**586,337**	604,571	**556,002**	574,656	**30,335**	29,915
Portfolio investments at 20 February 2009	**474,871**	586,337	**449,034**	556,002	**25,837**	30,335
Total movement in portfolio investments	**(111,466)**	(18,234)	**(106,968)**	(18,654)	**(4,498)**	420

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Movements in cash and portfolio investments

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
At 21 February 2008						
Cash at bank and in hand	**115,226**	81,750	**111,361**	77,949	**3,865**	3,801
Shares and other variable-yield securities and unit trusts	**230,173**	300,452	**219,160**	286,817	**11,013**	13,635
Debt securities and other fixed-income securities	**240,938**	222,369	**225,481**	209,890	**15,457**	12,479
Total balance at 21 February 2008	**586,337**	604,571	**556,002**	574,656	**30,335**	29,915
Cash flow						
Cash at bank and in hand	**(72,036)**	33,476	**(71,955)**	33,412	**(81)**	64
Shares and other variable-yield securities and unit trusts	**(15,772)**	(110,829)	**(16,438)**	(108,459)	**666**	(2,370)
Debt securities and other fixed-income securities	**52,950**	35,007	**51,497**	31,902	**1,453**	3,105
Cash flow for year	**(34,858)**	(42,346)	**(36,896)**	(43,145)	**2,038**	799
Changes in market value						
Shares and other variable-yield securities and unit trusts	**(55,535)**	40,550	**(51,048)**	40,802	**(4,487)**	(252)
Debt securities and other fixed-income securities	**(21,073)**	(16,438)	**(19,024)**	(16,311)	**(2,049)**	(127)
Changes in market value for year	**(76,608)**	24,112	**(70,072)**	24,491	**(6,536)**	(379)
At 20 February 2009						
Cash at bank and in hand	**43,190**	115,226	**39,406**	111,361	**3,784**	3,865
Shares and other variable-yield securities and unit trusts	**158,866**	230,173	**151,674**	219,160	**7,192**	11,013
Debt securities and other fixed-income securities	**272,815**	240,938	**257,954**	225,481	**14,861**	15,457
Total balance at 20 February 2009	**474,871**	586,337	**449,034**	556,002	**25,837**	30,335

22. Movement in prior years' provision for claims outstanding

	Total		Class 1 – P&I		Class 2 – Defence	
	2009 US$000	2008 US$000	**2009 US$000**	2008 US$000	**2009 US$000**	2008 US$000
Improvement in respect of prior years	**50,007**	40,090	**49,475**	35,650	**532**	4,440

23. Open forward exchange contracts

The net book cost of forward exchange transactions at the year end amounted to $nil (2008 $0.1) million. The value of these transactions at the year end market rates amounted to $3.7 (2008 $0.5) million. These contracts have been entered into to protect the assets of the club. The total of the open forward contracts at any one time is limited by guidelines set by the board of directors and matched against currency and asset holdings in excess of the amount of the contracts.

24. Letters of credit, bail bonds and guarantees

In connection with its commitments to other members of the International Group and its guarantees on behalf of its members, the club has provided letters of credit, bail bonds and guarantees which are secured by investments lodged with the issuer amounting to $75 (2008 $84) million.

25. Rates of exchange

	2009	2008
The following rates of exchange were applicable to US$1 at 20 February 2009 (2008)		
Australian dollars	**1.51**	1.10
Bermudan dollars	**1.00**	1.00
Canadian dollars	**1.24**	1.00
Euro	**0.77**	0.68
Japanese yen	**91.97**	107.62
Singapore dollars	**1.51**	1.41
Swiss francs	**1.16**	1.09
UK sterling	**0.69**	0.51

APPENDICES (UNAUDITED)

APPENDICES (UNAUDITED)

The following appendices are provided to show the movement in the club's P&I Class reserves during the year, and the progress and likely outcome of the open policy years. These appendices are not part of the audited accounts.

The figures are prepared under the accounting policies used within the financial statements. The estimates for known outstanding claims are based on the best estimates and judgement of the managers of the likely final cost of individual cases. These estimates are as accurate as possible and take into account all the current information. Individual estimates are reviewed regularly and include the club's share of other International Group members' pool claims.

The forecast of incurred but not reported claims (IBNR) is based on the amount that should be provided for the estimated ultimate cost of claims arising out of events that have occurred before the end of the accounting period but that have not been reported. It also covers deterioration in the estimates of claims that have already been reported. The estimate for IBNR is calculated by comparing the pattern of both incurred and paid claims in current policy years with earlier policy years, and then projecting the likely outcome of the more recent years. These forecasts of IBNR are subject to regular review during the life of a policy year.

The total of outstanding claims of $392m includes a forecast for IBNR of $110m on open and closed policy years. The known outstanding claims of $282m are net of all reinsurance recoveries.

The board closed the 2006/07 policy year at its meeting on 15 May 2009 on the basis of the financial position as at 20 February 2009. The appendices show the position after this closure.

APPENDIX I (UNAUDITED)

Funds available for outstanding and unreported claims
Class 1 – P&I summary

	Appendix reference	Funds available and estimated future supplementary calls US$000	Estimated net claims and forecast of unreported claims US$000
At 20 February 2009			
Total closed policy years	III	196,674	196,674
Open policy years			
2008/09	II	115,375	115,375
2007/08	II	68,572	68,572
Total of open policy years		183,947	183,947
Reserves			
Contingency reserve	III	160,908	–
Statutory reserve		240	–
		161,148	–
Future funds and liabilities		541,769	380,621

These appendices should be read in conjunction with the notes on the preceding pages.

APPENDIX II (UNAUDITED)

Funds available for outstanding and unreported claims
Class 1 – P&I open policy years

		2008 One year from inception US$000	2007 Two years from inception US$000	2006 Three years from inception US$000
At 20 February 2009				
Calls and premiums		196,146	160,650	152,018
Less: claims, reinsurance premiums, administration expenses and tax		(89,096)	(122,541)	(142,730)
		107,050	38,109	9,288
Investment income to date		(87,376)	27,940	62,817
Funds available	A	19,674	66,049	72,105
Estimated known outstanding claims and forecast of unreported claims		128,064	73,172	55,172
Estimated reinsurance recoveries		(12,689)	(4,600)	(8,982)
	B	115,375	68,572	46,190
Anticipated deficit at closure	A-B	(95,701)	(2,523)	–
Surplus on closure of 2006/07 year		–	–	25,915
Transferred from/(to) contingency reserve at 20 February 2008		–	29,626	(15,102)
Transferred from/(to) contingency reserve at 20 February 2009		95,701	(27,103)	(10,813)
		–	–	–
Product of a 10% supplementary call		13,950	11,770	–

Notes

Estimated known outstanding claims and the forecast of unreported claims of open years include pool claims amounting to $26.6 million.

Estimated reinsurance recoveries show the reinsurance recoveries to be made on reinsurance contracts net of provision for doubtful recoveries, and include anticipated pool recoveries of $8.5 million and anticipated recoveries from excess of loss reinsurers of $2.6m.

Investment income

All investment income received in the year has been allocated to the 2008/09 policy year.

APPENDIX III (UNAUDITED)

Funds available for outstanding and unreported claims
Class 1 - P&I closed policy years and contingency reserve

	Closed policy years		Contingency reserve	
	2009	2008	**2009**	2008
	US$000	US$000	**US$000**	US$000
At 20 February 2009				
Balance available at 20 February 2008 (2007)	**209,367**	220,743	**205,459**	202,129
Transfers on closure of 2006/07 (2005/06) policy year	**46,190**	52,859	**10,813**	2,585
Premium adjustment	–	–	**(483)**	217
Claims paid net of reinsurance recoveries	**(46,380)**	(43,291)	–	–
	209,177	230,311	**215,789**	204,931
Transfer of anticipated deficit on open years	–	–	**(68,598)**	(20,467)
Minority interest	–	–	**1,214**	51
(Improvement)/deterioration of claims in closed policy years	**(12,503)**	(20,944)	**12,503**	20,944
Balance available at 20 February 2009 (2008)	**196,674**	209,367	**160,908**	205,459

Closed policy years

The balance available for outstanding claims of closed policy years includes a provision for incurred but not reported claims (IBNR) of $36.3 (2008: $34.1) million and is shown net of pool recoveries of $12.5 (2008: $7.3) million and excess of loss recoveries and other non-Group reinsurance recoveries which amount to $33.8 (2008: $39.3) million. The balance available including IBNR, includes $33.7 (2008: $20.5) million in respect of outstanding pool claims.

NOTICE OF ANNUAL GENERAL MEETING

The Standard Steamship Owners' Protection & Indemnity Association (Bermuda) Limited

Notice is hereby given that the 38th Annual General Meeting of the members will be held at Shangri La Hotel, Singapore on Friday 9 October 2009 at 9am.

Ordinary business

To consider and, if thought fit, pass the following ordinary resolutions:

1) To receive and adopt the Report and Accounts for the year ended 20 February 2009
2) That G Bozzini, B Chan, JN Das, MA Ghannam and DCC Koo be elected as directors
3) That N Aksoy, F Blanchelande, C Peraticos, SS Teo, W Thompson, F Tsai and T Bernardino be re-elected as directors
4) That PricewaterhouseCoopers LLP be re-appointed as auditors, and to authorise the directors to fix their remuneration

By order of the board,

Charles Taylor & Co (Bermuda)
Secretary

Managers
Charles Taylor & Co (Bermuda)

Secretary
Charles Taylor & Co (Bermuda)

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