ANNUAL REPORT AND FINANCIAL STATEMENTS 2012

THE STANDARD STEAMSHIP OWNERS’ PROTECTION AND INDEMNITY ASSOCIATION (EUROPE) LIMITED

Registered company number 17864

CONTENTS

THE DIRECTORS

Directors who served since the date of the last report and financial statements:

R Menendez Ross
Chairman
Ultrapetrol SA

R M Jones
CSL Group Inc

M J Cox
Matson Navigation Co Inc
(Appointed 1 February 2012)

C Peraticos
Pleiades Shipping Agents SA
(Appointed 7 February 2012)

A J Groom
Manager

D G Marock
Manager
(Appointed 30 January 2012)

J S M Rowe
(Resigned 30 June 2011)

Registered no: 17864

REPORT OF THE DIRECTORS

BUSINESS REVIEW

The directors have pleasure in presenting the audited financial statements of the club for the year ended 20 February 2012.

Principal activities

The principal activities of The Standard Steamship Owners' Protection and Indemnity Association (Europe) Limited during the year were the insurance and reinsurance of marine protection and indemnity (P&I) and related risks (including the London class), war risks, and defence risks, on behalf of the members.

Directors

Since the last report and up to the date of signing the financial statements, the directors of the club who were in office are shown on page 1 of this report. The director who retires by rotation in accordance with the Articles of Association and who, being eligible, has also offered himself for re-election, is R M Jones. M J Cox, D G Marock and C Peraticos offer themselves for re-election as directors appointed since the last AGM.

The club maintains liability insurance for its directors and offices with a cover limit of £30m, which is renewed on an annual basis.

Meetings of the board

Since the date of the last report, the board met on four occasions during the year: on 12 September 2011 in Miami, on 5 November 2011 in Buenos Aires, on 23 January 2012 in Geneva and on 9 May 2012 in Bermuda.

The Standard family of clubs and reorganisation

We advised members last year that the increasing regulatory demands and the desire for efficient capital management had caused the boards of the various members of the Standard family of clubs to review the existing structure of the group and to consider a reorganisation of it. The purpose of the reorganisation was to streamline operations, improve capital efficiency and reduce compliance costs. The reorganisation proposals were approved during the year by the boards and the memberships of each of the Standard Clubs. Pursuant to Part VII of the Financial Services and Markets Act 2000, an order was made by the High Court of England and Wales on 19 December 2011 approving the reorganisation with an effective date of 30 December 2011.

From 30 December 2011, the insurance businesses of The Standard Steamship Owners' Protection and Indemnity Association (London) Limited ('Standard London'), The Standard Steamship Owners' Mutual War Risks Association Limited ('Standard War Risks') and the insurance business of The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited ('Standard Bermuda') were transferred to the club. Members previously insured by Standard Bermuda, Standard London and Standard War Risks have been insured by the club from the effective date. The impact of the transfer on the reserves of the club is recorded in note 16 to the accounts.

As the final step of the reorganisation, the Standard family of clubs will be renamed and rebranded during the summer of 2012. Subject to member approval Standard Europe will be renamed The Standard Club Europe Ltd.

Summary financial results

As set out in the income and expenditure account, there is a surplus of income over expenditure of $10m (2011: $23m). Total reserves available for claims stand at $197m (2011: $80m). Total estimated claims liabilities, including the provision for claims incurred but not reported ('IBNR'), net of reinsurance recoveries, amounted to $62m at the year end.

Income and expenditure account

Revenue from calls, premiums and releases amounted to $126m (2011: $105m). Paid claims, net of reinsurance recoveries were $29m (2011: $15m). Pool and reinsurance recoveries amounted to $61m (2011: $43m).

Balance sheet

The amount available to meet outstanding claims and IBNR was $197m at 20 February 2012 (2011: $80m).

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 increased to $136m at the year end (2011: $65m), reflecting the surplus on the income and expenditure account for the year of $10m, and the transfer of reserves as a result of the part VII transfer of $61m.

This year, the board reviewed the strategic purposes and appropriate level for the free reserves. The level of free reserves or capital to be held should be sufficient to meet the following criteria:

- To ensure that the club has sufficient capital to reflect its business risks and to comply with regulatory requirements.
- To provide a sufficient buffer so as to make the probability of supplementary calls very low, and unnecessary in any phase of a normal underwriting cycle, and so that they are levied only in extreme stressed scenarios.
- To ensure that the club is perceived as being in the top division of clubs from a financial perspective, in order to give the club flexibility and the power to maintain pricing and quality discipline.
- To maintain an S&P or similar rating of A or above.

Consistent with these criteria, it is the board's intention that the free reserves are available to be used for a number of purposes, including absorbing the impact of financial risks, deterioration beyond the IBNR allowed for in closed years, contributing towards catastrophe claims and smoothing out the financial performance between policy years.

The board recognises the need to ensure that the free reserves reflect the club's size. The reserves are within the target strategic range set by the board, but the board would like to see the free reserves continue to keep pace with growth in the club's business.

Key performance indicators

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

	2012	2011
Premium $m	**126.1**	104.7
Free reserves $m	**135.6**	65.3
Claims cover *1	**3.20**	5.52
Combined ratio % *2	**99**	51

*1. Ratio of net assets to outstanding claims.

*2. 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.

Future outlook

Although the required levels of solvency are increasing, the club's financial position means that it is satisfactorily positioned to continue to offer the full range of P&I, war risks, defence and related covers to its members.

Strategy and business plan

The club's overriding objective is to achieve sustainable rates of growth, whilst maintaining its solid financial position and providing a high standard of service. The main elements of the club's strategy are to set the standard for service and security, to excel at providing cover for specialist trades and ships, to continue to seek growth in its core business areas and to examine opportunities to extend the range of products offered.

PRINCIPAL RISKS AND UNCERTAINTIES

The club's principal risks and uncertainties are recorded in the risk register and assigned to various categories in line with those used by the Financial Services Authority (FSA).

These risk categories and how the risks impact on the club are summarised below and reflect the Standard group of clubs' risk appetite and policies.

Insurance risk
The risk of loss arising from inappropriate underwriting, inadequate pricing or reserve deterioration.

The club is exposed to insurance risk from underwriting inappropriate business or appropriate business in an inappropriate way or with incorrect pricing. This is managed by clear underwriting controls and monitoring for undue concentrations of risk, consistent with risk appetite.

Underwriting risk is mitigated by appropriate reinsurance programmes, including the International Group pooling and reinsurance programme, the non-Pool and retention reinsurance and the quotashare agreement with Standard Reinsurance (Bermuda) Limited.

Reserve risk is managed by prompt reserving of potential losses and regular reviews of individual estimates and overall reserve adequacy.

Financial risk
<u>Credit risk</u>
The risk of a loss occurring owing to the failure of a counterparty to meet its contractual debt obligations.

Counterparties include reinsurers, other International Group clubs, members and their intermediaries, and investment counterparties.

The risk of default is mitigated by:

- using only well-rated reinsurers and monitoring their financial condition
- Pooling Agreement provisions, which provide security for inter-club obligations
- prompt follow-up of outstanding member premiums and suspension or cancellation of cover
- clear investment rules and counterparty limits.

<u>Market risk</u>
The risk of loss occurring from fluctuations in the value or income from investments, including the effects of fluctuations in interest and exchange rates.

The club's investment strategy has been developed with the following objectives:

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

There are clear and regularly reviewed investment rules, and the club manages its investment risk through investing widely and in different asset classes to diversify the overall portfolio and to produce reasonable returns for lower volatility. Currency of investment is matched as far as possible to the profile of liabilities to which the club is exposed. Interest rate risk exposure is measured and controlled through regular consideration of the appropriate duration of the fixed interest part of the portfolio. The club is exposed to equity price fluctuation risk, but equities are in principle held only through mutual funds, and the investment rules limit equity exposure.

The investment asset and currency benchmarks are permitted investment ranges, and are kept under regular review.

The group makes use of forward currency contracts to hedge its exposure to fluctuations in the value of non-core currencies and to maintain the matching of the investment profile to the liability profile. The club does not make use of any form of derivatives other than forward currency contracts.

Liquidity risk
The risk arising from insufficient financial resources being available to meet liabilities as they fall due.

The club continually monitors its cash and investments to ensure that the club meets its liquidity requirements. Adequate cash holdings are maintained at all times and the club's asset allocation strategy is designed in part to enable the ready availability of funds to meet insurance liabilities as they fall due. The club reviews the time period required to liquidate the entire investment portfolio. Significant gross claim settlements through the International Group Pool and reinsurance arrangements are subject to special settlement provisions that restrict the exposure to the club from funding large claims that are subject to reinsurance recoveries.

Detailed risk disclosures for credit, market and liquidity risk are set out in detail in note 10 to the financial statements, starting on page 16.

Operational risk
The risk resulting from external events or from the failure or inadequacy of internal processes, systems or controls, other than those identified above.

The club has identified its operational risks and has in place appropriate controls to manage and mitigate such risks, consistent with industry best practice, regulatory guidance and legislation relating to human resources, financial crime, business continuity and information security. As the club employs independent third-party managers to run most of its day-to-day activities, appropriate controls are also in place to monitor the club's outsourcing of its operations.

DIRECTORS' RESPONSIBILITIES

Statement of disclosure of information to auditors

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

- so far as each of them are aware, there is no information relevant to the audit of the club's financial statements for the year ended 20 February 2012 of which the auditors are unaware; and
- 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.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the club and of the income or expenditure of the club for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the club's transactions and disclose with reasonable accuracy at any time the financial position of the club and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the club and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the club's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board,
Charles Taylor & Co Limited
Company Secretary
9 May 2012

Registered no: 17864

INCOME AND EXPENDITURE ACCOUNT
for the year ended 20 February 2012

		Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
		2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	Notes	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Technical account - general business											
Earned premiums, net of reinsurance											
Gross premiums written including calls	3	**126.1**	104.7	**117.8**	98.8	**6.5**	5.9	**1.5**	-	**0.3**	-
Outward reinsurance premiums	4	**(76.9)**	(60.4)	**(72.0)**	(56.5)	**(4.3)**	(3.9)	**(0.4)**	-	**(0.2)**	-
Earned calls, net of reinsurance		**49.2**	44.3	**45.8**	42.3	**2.2**	2.0	**1.1**	-	**0.1**	-
Total income		**49.2**	44.3	**45.8**	42.3	**2.2**	2.0	**1.1**	-	**0.1**	-
Expenditure											
Claims paid		**89.9**	57.9	**79.4**	53.2	**9.1**	4.7	**1.4**	-	**-**	-
Reinsurers' share		**(60.7)**	(43.1)	**(51.4)**	(39.3)	**(7.2)**	(3.8)	**(2.1)**	-	**-**	-
Net claims paid		**29.2**	14.8	**28.0**	13.9	**1.9**	0.9	**(0.7)**	-	**-**	-
Change in provision for claims		**237.2**	(17.9)	**236.1**	(21.9)	**2.9**	4.0	**(1.8)**	-	**-**	-
Reinsurers' share		**(232.6)**	21.1	**(232.6)**	24.8	**(1.9)**	(3.7)	**1.9**	-	**-**	-
Change in net provision for claims		**4.6**	3.2	**3.5**	2.9	**1.0**	0.3	**0.1**	-	**-**	-
Claims incurred, net of reinsurance		**33.8**	18.0	**31.5**	16.8	**2.9**	1.2	**(0.6)**	-	**-**	-
Net operating expenses	5	**13.9**	4.6	**12.9**	4.4	**0.6**	0.2	**0.3**	-	**0.1**	-
Total expenditure		**47.7**	22.6	**44.4**	21.2	**3.5**	1.4	**(0.3)**	-	**0.1**	-
Balance on the technical account for general business		**1.5**	21.7	**1.4**	21.1	**(1.3)**	0.6	**1.4**	-	**-**	-
Non-technical account											
Balance on the technical account for general business		**1.5**	21.7	**1.4**	21.1	**(1.3)**	0.6	**1.4**	-	**-**	-
Investment income	6	**5.4**	2.7	**4.9**	2.6	**0.1**	0.1	**0.2**	-	**0.2**	-
Unrealised gains on investments	6	**7.1**	1.3	**6.3**	0.7	**0.1**	0.6	**0.7**	-	**-**	-
Investment expenses and charges	6	**(1.0)**	(1.4)	**(0.8)**	(0.9)	**(0.2)**	(0.5)	**-**	-	**-**	-
Unrealised losses on investments	6	**(1.0)**	(1.5)	**(0.9)**	(1.5)	**-**	-	**-**	-	**(0.1)**	-
Exchange gains/(losses)		**5.4**	0.3	**0.3**	0.2	**0.4**	0.1	**(0.6)**	-	**(0.1)**	-
Excess/(shortfall) of income over expenditure before taxation		**12.0**	23.1	**11.2**	22.2	**(0.9)**	0.9	**1.7**	-	**-**	-
Tax on excess/(shortfall) of income over expenditure	7	**(2.2)**	(0.3)	**(2.0)**	(0.2)	**(0.1)**	(0.1)	**(0.1)**	-	**-**	-
Excess/(shortfall) of income over expenditure for the financial year transferred to/(from) contingency reserve	14	**9.8**	22.8	**9.2**	22.0	**(1.0)**	0.8	**1.6**	-	**-**	-

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.

There is no material difference between the excess of income over expenditure before taxation and the excess of income over expenditure for the financial year stated above and their historical cost equivalents.

The notes on pages 10 to 23 form part of the financial statements.

BALANCE SHEET
at 20 February 2012

		Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
		2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	Notes	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Assets											
Investments											
Other financial investments	9	**89.0**	48.2	**47.9**	45.7	**4.4**	2.5	**29.7**	-	**7.0**	-
Reinsurers' share of technical provisions											
Claims outstanding	11	**740.0**	101.8	**709.5**	85.8	**29.9**	16.0	**0.6**	-	**-**	-
Debtors											
Debtors arising out of direct insurance operations	12	**58.5**	25.8	**56.7**	25.1	**1.4**	0.7	**0.2**	-	**0.2**	-
Amounts owed by group undertakings		**35.9**	2.6	**33.8**	2.0	**2.1**	0.6	-	-	**-**	-
Other debtors		**14.9**	0.4	**10.4**	0.1	**4.3**	0.3	**0.2**	-	**-**	-
		109.3	28.8	**100.9**	27.2	**7.8**	1.6	**0.4**	-	**0.2**	-
Other assets											
Tangible assets	13	**3.4**	-	**3.2**	-	**-**	-	**0.2**	-	**-**	-
Cash at bank and in hand		**46.5**	4.9	**21.2**	3.7	**9.1**	1.2	**7.9**	-	**8.3**	-
		49.9	4.9	**24.4**	3.7	**9.1**	1.2	**8.1**	-	**8.3**	-
Prepayments and accrued income		**7.2**	5.1	**5.9**	4.5	**0.7**	0.6	**0.5**	-	**0.1**	-
Total assets		**995.4**	188.8	**888.6**	166.9	**51.9**	21.9	**39.3**	-	**15.6**	-
Liabilities											
Reserves											
Contingency reserve	14	**135.6**	65.3	**96.5**	63.5	**3.2**	1.8	**24.8**	-	**11.1**	-
		135.6	65.3	**96.5**	63.5	**3.2**	1.8	**24.8**	-	**11.1**	-
Technical provisions											
Gross claims outstanding	11	**801.6**	116.2	**761.0**	99.4	**33.0**	16.8	**7.6**	-	**-**	-
Provisions for other risks and charges											
Deferred tax provisions	8	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Creditors											
Creditors arising out of direct insurance operations		**28.5**	3.5	**22.3**	2.9	**5.6**	0.6	**0.6**	-	**-**	-
Other creditors including taxation and social security	17	**10.7**	0.4	**4.8**	0.3	**0.1**	0.1	**1.5**	-	**4.3**	-
Amounts owed to group undertakings		**18.2**	3.3	**5.8**	2.7	**12.4**	0.6	**-**	-	**-**	-
Current account between classes		**-**	-	**(1.9)**	(2.0)	**(2.4)**	2.0	**4.3**	-	**-**	-
		57.4	7.2	**31.0**	3.9	**15.7**	3.3	**6.4**	-	**4.3**	-
Accruals and deferred income		**0.8**	0.1	**0.1**	0.1	**-**	-	**0.5**	-	**0.2**	-
Total liabilities		**995.4**	188.8	**888.6**	166.9	**51.9**	21.9	**39.3**	-	**15.6**	-

The financial statements were approved by the board of directors on 9 May 2012 and were signed on its behalf by:

R Menendez Ross
Chairman

The notes on pages 10 to 23 form part of the financial statements.

Registered company number 17864

CASH FLOW STATEMENT
for the year ended 20 February 2012

	Notes	Total 2012 US$m	Total 2011 US$m	Class 1 - P&I 2012 US$m	Class 1 - P&I 2011 US$m	Class 2 - Defence 2012 US$m	Class 2 - Defence 2011 US$m	Class 3 - London 2012 US$m	Class 3 - London 2011 US$m	Class 4 - War 2012 US$m	Class 4 - War 2011 US$m
Net cash inflow/(outflow) from operating activities	20	**25.8**	27.8	**10.3**	28.0	**1.1**	(0.2)	**9.2**	-	**5.2**	-
Taxation paid		**(1.5)**	-	**(1.2)**	-	**(0.1)**	-	**(0.2)**	-	**-**	-
Net cash inflow/(outflow)		**24.3**	27.8	**9.1**	28.0	**1.0**	(0.2)	**9.0**	-	**5.2**	-
Cash flows were invested/(applied) as follows:											
Increase in cash holdings	19	**41.6**	0.1	**17.5**	-	**7.9**	0.1	**7.9**	-	**8.3**	-
Net portfolio investments											
Purchase of shares and other variable-yield securities		**7.6**	0.9	**7.6**	-	**-**	0.9	**-**	-	**-**	-
Purchase of debt securities and other fixed-income securities		**112.7**	93.1	**89.6**	92.5	**16.3**	0.6	**2.9**	-	**3.9**	-
Sale of shares and other variable-yield securities		**(12.8)**	(1.1)	**(9.4)**	-	**-**	(1.1)	**(1.1)**	-	**(2.3)**	-
Sale of debt securities and other fixed-income securities		**(124.8)**	(65.2)	**(96.2)**	(64.5)	**(23.2)**	(0.7)	**(0.7)**	-	**(4.7)**	-
Net cash flow from investing activities	18	**(17.3)**	27.7	**(8.4)**	28.0	**(6.9)**	(0.3)	**1.1**	-	**(3.1)**	-
Net investment/(application) of cash flows		**24.3**	27.8	**9.1**	28.0	**1.0**	(0.2)	**9.0**	-	**5.2**	-

The notes on pages 10 to 23 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution

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

2. Accounting policies

(a) Basis of preparation

The financial statements have been prepared under the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('SI2008/410') relating to insurance groups and in accordance with applicable accounting standards in the UK. The financial statements comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ('the ABI SORP') dated December 2005, as amended in December 2006, and have been prepared in accordance with The Companies Act 2006.

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

Regulations require the use of the term 'profit and loss account' as a heading. This is replaced in these financial statements by 'income and expenditure account', consistent with the mutual status of the club.

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.

Once a year, the directors review and adopt the accounting policies that are most appropriate for the club.

The financial statements have been prepared on a going concern basis, in accordance with Section 395 of, and Schedule 1 ('SI2008/410') to, the Companies Act 2006 and in accordance with applicable accounting standards. The principal accounting policies are set out below.

(b) Annual basis of accounting

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

For the purpose of reporting to mutual members all transactions are allocated to individual policy years. The result of the policy year is determined and reported when it is closed after three years of development in accordance with 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.

(c) Calls and premiums

Calls and premiums are credited to the income and expenditure account as and when charged to members. Contributions for periods after the balance sheet date are treated as prepaid and are not included in the income and expenditure account.

(d) Claims incurred

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

(e) *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 income and expenditure account relates 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.

(f) 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 liability 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 might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including:

- changes in club processes which 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.

2. Accounting policies continued

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.

(g) Reinsurance premiums

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

(h) 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.

(i) Investments

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

-Derivative financial investments
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. The club does no engage in hedge accounting and changes in the fair value of all derivative investments are recognised immediately in the income and expenditure account.

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

(j) Foreign currencies

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

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

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

(k) General administration expenses

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

(l) Taxation

Taxation provided is that which became chargeable during the year.

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the income and expenditure account. Deferred tax is calculated at the rates at which it is expected that the tax will arise.

Deferred tax is recognised in the income and expenditure account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total gains and losses. Deferred tax balances are not discounted.

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

(m) Tangible assets

Tangible assets are stated at historic purchase cost less accumulated depreciation. The cost of the clubs business systems has been capitalised as computer software. The original cost and any enhancements are written off over a 10 year period following installation on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS continued

3. Gross premiums written including calls

	Total		**Class 1 - P&I**		**Class 2 - Defence**		**Class 3 - London**		**Class 4 - War**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Estimated total premium, other premiums and releases 2011/12 (2010/11)	**127.8**	105.7	**119.0**	99.9	**6.4**	5.8	**2.1**	-	**0.3**	-
Adjustment for previous policy years	**(1.7)**	(1.0)	**(1.8)**	(1.1)	**0.1**	0.1	**-**	-	**-**	-
Interclass reinsurance	**-**	-	**0.6**	-	**-**	-	**(0.6)**	-	**-**	-
Total calls and premiums	**126.1**	104.7	**117.8**	98.8	**6.5**	5.9	**1.5**	-	**0.3**	-

4. Outward reinsurance premiums

	Total		**Class 1 - P&I**		**Class 2 - Defence**		**Class 3 - London**		**Class 4 - War**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Quota-share reinsurance premium payable to Standard Reinsurance (Bermuda) Limited	**46.5**	39.2	**43.0**	36.0	**3.5**	3.2	**-**	-	**-**	-
Quota-share investment allocation	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Other reinsurance premiums	**30.4**	21.2	**29.0**	20.5	**0.8**	0.7	**0.4**	-	**0.2**	-
Reinsurance premiums paid	**76.9**	60.4	**72.0**	56.5	**4.3**	3.9	**0.4**	-	**0.2**	-

5. Net operating expenses

	Total		**Class 1 - P&I**		**Class 2 - Defence**		**Class 3 - London**		**Class 4 - War**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Acquisition costs										
Management fee	**6.0**	2.2	**5.6**	2.1	**0.3**	0.1	**0.1**	-	**-**	-
General expenses	**0.3**	0.1	**0.3**	0.1	**-**	-	**-**	-	**-**	-
Administrative expenses										
Management fee	**5.8**	2.1	**5.3**	2.0	**0.3**	0.1	**0.1**	-	**0.1**	-
General expenses	**0.7**	0.1	**0.6**	0.1	**-**	-	**0.1**	-	**-**	-
Depreciation	**0.7**	-	**0.7**	-	**-**	-	**-**	-	**-**	-
Safety and loss control	**0.3**	0.1	**0.3**	0.1	**-**	-	**-**	-	**-**	-
Directors' fees	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Auditors' remuneration for audit services	**0.1**	-	**0.1**	-	**-**	-	**-**	-	**-**	-
Auditors' remuneration for other services	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Net operating expenses	**13.9**	4.6	**12.9**	4.4	**0.6**	0.2	**0.3**	-	**0.1**	-

All the directors of the club are also directors of the ultimate parent undertaking from whom they receive remuneration for their services. The club has no employees.

6. Investment return

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Investment income										
Shares and other variable-yield securities and units in unit trusts	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Debt securities and other fixed-income securities	**1.9**	0.9	**1.7**	0.9	**0.1**	-	**0.1**	-	**-**	-
Deposit interest	**0.3**	0.1	**0.3**	0.1	**-**	-	**-**	-	**-**	-
Gains arising on realisation of investments	**3.2**	1.7	**2.9**	1.6	**-**	0.1	**0.1**	-	**0.2**	-
	5.4	2.7	**4.9**	2.6	**0.1**	0.1	**0.2**	-	**0.2**	-
Investment expenses and charges										
Investment management expenses	**(0.3)**	-	**(0.3)**	-	**-**	-	**-**	-	**-**	-
Losses on realisation of investments	**(0.7)**	(1.4)	**(0.5)**	(0.9)	**(0.2)**	(0.5)	**-**	-	**-**	-
	(1.0)	(1.4)	**(0.8)**	(0.9)	**(0.2)**	(0.5)	**-**	-	**-**	-
Unrealised gains on investments	**7.1**	1.3	**6.3**	0.7	**0.1**	0.6	**0.7**	-	**-**	-
Unrealised losses on investments	**(1.0)**	(1.5)	**(0.9)**	(1.5)	**-**	-	**-**	-	**(0.1)**	-
	6.1	(0.2)	**5.4**	(0.8)	**0.1**	0.6	**0.7**	-	**(0.1)**	-
Total investment return	**10.5**	1.1	**9.5**	0.9	**-**	0.2	**0.9**	-	**0.1**	-

7. Tax on excess/(shortfall) of income over expenditure

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
UK corporation tax at 26.0% (2011: 28.0%)										
Current tax on income for the period	**2.2**	0.4	**2.0**	0.2	**0.1**	0.2	**0.1**	-	**-**	-
Adjustments in respect of prior periods	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total current tax	**2.2**	0.4	**2.0**	0.2	**0.1**	0.2	**0.1**	-	**-**	-
Deferred tax										
Origination and reversal of timing differences	**-**	(0.1)	**-**	-	**-**	(0.1)	**-**	-	**-**	-
Total deferred tax (note 8)	**-**	(0.1)	**-**	-	**-**	(0.1)	**-**	-	**-**	-
Tax on investment income	**2.2**	0.3	**2.0**	0.2	**0.1**	0.1	**0.1**	-	**-**	-

Factors affecting tax on investment income for the period

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (26.0%). The differences are explained below:

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Excess/(shortfall) of income over expenditure before taxation	**12.0**	23.1	**11.2**	22.2	**(0.9)**	0.9	**1.7**	-	**-**	-
Multiplied by the standard rate of corporate tax in the UK of 26.0% (2011: 28.0%)	**3.1**	6.4	**2.9**	6.2	**(0.2)**	0.2	**0.4**	-	**-**	-
(Income)/expenses not assessable for tax purposes	**(0.9)**	(6.0)	**(0.9)**	(6.0)	**0.3**	-	**(0.3)**	-	-	-
Current tax on investment income for the period	**2.2**	0.4	**2.0**	0.2	**0.1**	0.2	**0.1**	-	**-**	-

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

NOTES TO THE FINANCIAL STATEMENTS continued

8. Deferred tax provisions

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Recognised										
Recognised deferred tax liability at 21 February 2011	**-**	(0.1)	**-**	-	**-**	(0.1)	**-**	-	**-**	-
Recognised deferred tax movement for the year in the income and expenditure account (note 7)	**-**	0.1	**-**	-	**-**	0.1	**-**	-	**-**	-
Recognised deferred tax liability at 20 February 2012	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-

9. Other financial investments

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
At market value										
Shares and other variable-yield securities and units in unit trusts	**11.4**	0.8	**3.1**	-	**0.8**	0.8	**6.9**	-	**0.6**	-
Debt securities and other fixed-income securities	**77.6**	47.4	**44.8**	45.7	**3.6**	1.7	**22.8**	-	**6.4**	-
Open forward currency contracts	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total investments at market value	**89.0**	48.2	**47.9**	45.7	**4.4**	2.5	**29.7**	-	**7.0**	-
At cost										
Shares and other variable-yield securities and units in unit trusts	**8.8**	0.7	**1.2**	-	**0.7**	0.7	**6.3**	-	**0.6**	-
Debt securities and other fixed-income securities	**75.5**	48.7	**42.6**	47.0	**3.5**	1.7	**22.9**	-	**6.5**	-
Open forward currency contracts	**-**	-	-	-	-	-	-	-	-	-
Total investments at cost	**84.3**	49.4	**43.8**	47.0	**4.2**	2.4	**29.2**	-	**7.1**	-
Included in the carrying values above are amounts in respect of listed investments as follows:										
- Shares and other variable-yield securities and units in unit trusts	**4.6**	0.7	**3.1**	-	**0.8**	0.7	**0.6**	-	**0.1**	-
- Debt securities and other fixed-income securities	**34.4**	22.9	**17.7**	22.7	**0.3**	0.2	**14.5**	-	**1.9**	-
Total listed investments	**39.0**	23.6	**20.8**	22.7	**1.1**	0.9	**15.1**	-	**2.0**	-
Open forward currency contracts										
Fair value asset	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Contract/notional amount	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-

10. Management of financial risk

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

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the club primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

In addition to the risk management policies set out in the report of the directors, the club adopts the following approaches to financial risk:

Market risk

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

At the end of the financial year, 83% of the club's assets were invested in fixed interest assets (2011: 98%). The average duration of the fixed income assets is 9.5 years (2011: 5.0). The club has no debt liability with interest payments that vary with changes in the interest rate.

Sensitivity analysis for interest rate risk illustrates how changes in the fair value of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. An increase of 100 basis points in interest yields would result in a deficit for the club of $7.0m (2011: $3.9m).

- Equity and hedge fund price risk
The club is exposed to equity price risk as a result of its holdings in equity investments and hedge funds. The club has defined investment guidelines that limit exposure in such holdings. Sensitivity analysis for equity price risk illustrates the effect of changes in equity market indices on the value of the investment portfolio. A 10% increase in equity values would be estimated to have increased the surplus before tax and reserves at the year end by $1.1m (2011: $0.1m).

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

At 20 February 2012, had sterling strengthened by 10% against the US dollar with all other variables held constant, the surplus for the year would have been $0.8m higher (2011: $1.0m lower). Had the euro strengthened by 10% against the USD dollar the surplus for the year would have been $0.1m higher (2011: $0.8m lower).

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the club is exposed to credit risk are :
- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid
- amounts due from members
- counterparty risk with respect to cash and investments

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

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012 US$m	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m
Derivative financial instruments	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Debt securities	**77.6**	47.4	**44.8**	45.7	**3.6**	1.7	**22.8**	-	**6.4**	-
Loans and receivables	**106.1**	28.8	**98.2**	27.2	**7.3**	1.6	**0.4**	-	**0.2**	-
Assets arising from reinsurance contracts held	**3.2**	-	**2.7**	-	**0.5**	-	**-**	-	**-**	-
Cash at bank and in hand	**46.5**	4.9	**21.2**	3.7	**9.1**	1.2	**7.9**	-	**8.3**	-
Total assets bearing credit risk	**233.4**	81.1	**166.9**	76.6	**20.5**	4.5	**31.1**	-	**14.9**	-
AAA	**58.9**	28.8	**42.3**	26.8	**3.3**	2.0	**13.3**	-	**-**	-
AA	**0.8**	17.1	**0.8**	16.1	**-**	1.0	**-**	-	**-**	-
A	**42.6**	6.6	**20.3**	6.6	**9.1**	-	**4.9**	-	**8.3**	-
BBB	**0.7**	-	**-**	-	**-**	-	**0.7**	-	**-**	-
Below BBB or not rated	**130.4**	28.6	**103.5**	27.1	**8.1**	1.5	**12.2**	-	**6.6**	-
Total assets bearing credit risk	**233.4**	81.1	**166.9**	76.6	**20.5**	4.5	**31.1**	-	**14.9**	-

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.

10. Management of financial risk continued

Liquidity risk

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

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

	Short term assets US$m	Within 1 year US$m	1-2 years US$m	2-5 years US$m	Over 5 years US$m	Total US$m
As at 20 February 2012						
Shares and other variable-yield securities and units in unit trusts	11.3	-	-	-	0.1	**11.4**
Debt securities and other fixed-income securities	77.6	-	-	-	-	**77.6**
Forward currency contracts	-	-	-	-	-	**-**
Cash balances	46.5	-	-	-	-	**46.5**
Debtors	57.1	52.2	-	-	-	**109.3**
Reinsurers' share of claims outstanding	-	222.0	148.0	259.0	111.0	**740.0**
	192.5	**274.2**	**148.0**	**259.0**	**111.1**	**984.8**
As at 20 February 2011						
Shares and other variable-yield securities and units in unit trusts	0.7	-	-	0.1	-	0.8
Debt securities and other fixed-income securities	47.4	-	-	-	-	47.4
Forward currency contracts	-	-	-	-	-	-
Cash balances	4.9	-	-	-	-	4.9
Debtors	3.0	25.8	-	-	-	28.8
Reinsurers' share of claims outstanding	-	30.5	20.4	35.6	15.3	101.8
	56.0	56.3	20.4	35.7	15.3	183.7

The following is an analysis of the estimated timings of net cash flows by financial liability (classes 1 to 4 combined). The timing of cash flows are based on current estimates and historic trends and the actual timings of cash flows may be materially different from those disclosed below :

	Within 1 year US$m	1-2 years US$m	2-5 years US$m	Over 5 years US$m	Total US$m
As at 20 February 2012					
Gross outstanding claims	241.8	160.5	279.8	119.5	**801.6**
Financial liabilities under investment contracts	-	-	-	-	**-**
Creditors	57.4	-	-	-	**57.4**
	299.2	**160.5**	**279.8**	**119.5**	**859.0**
As at 20 February 2011					
Gross outstanding claims	34.9	23.2	40.7	17.4	116.2
Financial liabilities under investment contracts	-	-	-	-	-
Creditors	7.2	-	-	-	7.2
	42.1	23.2	40.7	17.4	123.4

Fair value estimations

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows :
Level 1 - Listed quoted prices in active markets and external broker quotes which are publicly, readily and regularly available on an active market.
Level 2 - Inputs other than quoted prices included within level 1 that are observable, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the assets and liabilities measured at fair value at 20 February 2012 and at 20 February 2011.

Financial assets at fair value through income or expenditure:

	Level 1 US$m	**Level 2 US$m**	**Level 3 US$m**	**Total US$m**
As at 20 February 2012				
Shares and other variable-yield securities and units in unit trusts	11.1	0.2	0.1	**11.4**
Debt securities and other fixed-income securities	76.1	1.5	-	**77.6**
Forward currency contracts	-	-	-	**-**
	87.2	**1.7**	**0.1**	**89.0**
As at 20 February 2011				
Shares and other variable-yield securities and units in unit trusts	0.7	0.1	-	0.8
Debt securities and other fixed-income securities	47.4	-	-	47.4
Forward currency contracts	-	-	-	-
	48.1	0.1	-	48.2

Capital management

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

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

The club's regulator is the Financial Services Authority (FSA) and the club is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held. The club manages capital in accordance with these rules and has embedded in its ALM framework the necessary tests to ensure continuous and full compliance with such regulations. Under the FSA's ICA regime the club is obliged to assess and maintain the amount of capital required to meet the risks that it faces based on a 99.5 percent confidence level of solvency. Throughout the period the club complied with the FSA's capital requirements and the requirements in the other countries in which it operates.

NOTES TO THE FINANCIAL STATEMENTS continued

11. Claims outstanding

The board closed the 2009/10 policy year at its meeting on 09 May 2012. The table below provides the position after closure.

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Open years										
Claims	**506.4**	73.0	**477.9**	61.2	**17.9**	11.8	**10.6**	-	**-**	-
Interclass reinsurance	**-**	-	**5.1**	**-**	**-**	-	**(5.1)**	-	**-**	-
Reinsurance recoveries	**(473.2)**	(76.6)	**(456.8)**	(65.5)	**(16.1)**	(11.1)	**(0.3)**	-	**-**	-
Net claims provision for open years	**33.2**	(3.6)	**26.2**	(4.3)	**1.8**	0.7	**5.2**	-	**-**	-
Closed years										
Claims	**295.2**	43.2	**272.3**	38.2	**15.1**	5.0	**7.8**	-	**-**	-
Interclass reinsurance	**-**	-	**5.7**	**-**	**-**	-	**(5.7)**	-	**-**	-
Reinsurance recoveries	**(266.8)**	(25.2)	**(252.7)**	(20.3)	**(13.8)**	(4.9)	**(0.3)**	-	**-**	-
Net claims provision for closed years	**28.4**	18.0	**25.3**	17.9	**1.3**	0.1	**1.8**	-	**-**	-
Total										
Claims	**801.6**	116.2	**750.2**	99.4	**33.0**	16.8	**18.4**	-	**-**	-
Interclass reinsurance	**-**	-	**10.8**	-	**-**	-	**(10.8)**	-	**-**	-
Reinsurance recoveries	**(740.0)**	(101.8)	**(709.5)**	(85.8)	**(29.9)**	(16.0)	**(0.6)**	-	**-**	-
Net claims provision	**61.6**	14.4	**51.5**	13.6	**3.1**	0.8	**7.0**	-	**-**	-

12. Debtors arising out of direct insurance operations

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Members	**52.3**	25.8	**51.0**	25.1	**0.9**	0.7	**0.2**	-	**0.2**	-
Intermediaries	**3.0**	-	**3.0**	-	**-**	-	**-**	-	**-**	-
Reinsurers	**3.2**	-	**2.7**	-	**0.5**	-	**-**	-	**-**	-
Debtors arising out of direct insurance operations	**58.5**	25.8	**56.7**	25.1	**1.4**	0.7	**0.2**	-	**0.2**	-

13. Tangible assets

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Computer software	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Book cost										
As at 21 February 2011	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Additions	**4.1**	-	**3.9**	-	**-**	-	**0.2**	-	**-**	-
Currency fluctuation adjustments	**-**	-		-		-		-	**-**	-
Disposals	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
As at 20 February 2012	**4.1**	-	**3.9**	-	**-**	-	**0.2**	-	**-**	-
Accumulated depreciation										
As at 21 February 2011	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Charge for the year	**0.7**	-	**0.7**	-	**-**	-	**-**	-	**-**	-
Disposals	**-**	-		-					**-**	
As at 20 February 2012	**0.7**	-	**0.7**	-	**-**	-	**-**	-	**-**	-
Net book value	**3.4**	-	**3.2**	-	**-**	-	**0.2**	-	**-**	-

14. Contingency reserve

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Balance at 21 February 2011	**65.3**	42.5	**63.5**	41.5	**1.8**	1.0	**-**	-	**-**	-
Part VII transfer	**60.5**	-	**23.8**	-	**2.4**	-	**23.2**	-	**11.1**	-
Excess/(shortfall) of income over expenditure for the year	**9.8**	22.8	**9.2**	22.0	**(1.0)**	0.8	**1.6**	-	**-**	-
Balance on contingency reserve at 20 February 2012	**135.6**	65.3	**96.5**	63.5	**3.2**	1.8	**24.8**	-	**11.1**	-

15. Movement in prior years' provision for claims outstanding

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
(Deterioration)/improvement in respect of prior years	**(2.2)**	1.2	**(1.4)**	1.1	**(0.9)**	0.1	**0.1**	-	**-**	-

16. Part VII transfer

	Transfer from Standard Bermuda on 30 Dec 2011 P&I Class	Transfer from Standard Bermuda on 30 Dec 2011 Defence Class	Transfer from Standard London on 30 Dec 2011	Transfer from Standard War Risks on 30 Dec 2011	**Combined transfer**
	US$m	US$m	US$m	US$m	**US$m**
Assets					
Financial investments including cash	8.3	11.1	31.5	11.5	**62.4**
Reinsurers' share of technical provisions	393.7	12.0	13.4	-	**419.1**
Tangible assets	3.9	-	0.2	-	**4.1**
Debtors	63.0	0.6	1.3	0.2	**65.1**
Total assets	**468.9**	**23.7**	**46.4**	**11.7**	**550.7**
Liabilities					
Technical provisions	425.6	13.3	20.3	-	**459.2**
Creditors	19.5	8.0	2.9	0.6	**31.0**
Total liabilities	**445.1**	**21.3**	**23.2**	**0.6**	**490.2**
Surplus on Part VII transfer	**23.8**	**2.4**	**23.2**	**11.1**	**60.5**

Excess of income over expenditure and reserve reconciliation	Standard Bermuda P&I Class	Standard Bermuda Defence Class	Standard London	Standard War Risks	**Combined**
	US$m	US$m	US$m	US$m	**US$m**
Reserves brought forward at 20 February 2011	**29.0**	**1.2**	**22.3**	**10.6**	**63.1**
Reserves retained by transferor company	(8.7)	-	-	-	**(8.7)**
Excess of income over expenditure in the period to 30 December 2011	3.5	1.2	0.9	0.5	**6.1**
Reserves transferred to Standard Europe on 30 December 2011	**23.8**	**2.4**	**23.2**	**11.1**	**60.5**
Excess of income over expenditure in the period to 20 February 2012	7.3	0.2	1.6	-	**9.1**
Reserves carried forward at 20 February 2012	**31.1**	**2.6**	**24.8**	**11.1**	**69.6**
Excess of income over expenditure in the period to 30 December 2011	3.5	1.2	0.9	0.5	**6.1**
Excess of income over expenditure in the period to 20 February 2012	7.3	0.2	1.6	-	**9.1**
Excess of income over expenditure for the year to 20 February 2012	**10.8**	**1.4**	**2.5**	**0.5**	**15.2**

The business, assets, liabilities and surplus reserves of Standard London and Standard War Risks were transferred to Standard Europe in accordance with Part VII of the Financial Services and Markets Act 2000 with effect from 30 December 2011. No consideration was given for these transfers which preserve the individual member interests in the assets and liabilities transferred through the new classes of membership created in Standard Europe.

The business, assets (excluding investments at cost in its subsidiaries), liabilities and associated surplus reserves of Standard Bermuda was also transferred to Standard Europe in accordance with Part VII of the Financial Services and Markets Act 2000 with effect from 30 December 2011, with no consideration given or goodwill arising. The members of Standard Bermuda retain their interests in the assets and liabilities transferred through their continued membership of Standard Bermuda, which remains as the holding company of Standard Europe, and their membership of Standard Europe (effective from the date of the transfer).

The net assets of these companies transferred are shown above and were accounted for by Standard Europe on a portfolio transfer basis. The business transferred from Standard London and Standard War Risks is shown in separate classes, Class 3 (London) for Standard London and Class 4 (War) for Standard War Risks. The business transferred from Standard Bermuda is included as part of the Class 1 (P&I) and Class 2 (Defence) results for the year. The results recorded by the business of each transferring entity pre- and post- transfer are disclosed above.

17. Other creditors including taxation and social security

	Total		**Class 1 - P&I**		**Class 2 - Defence**		**Class 3 - London**		**Class 4 - War**	
	2012 US$m	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m
Corporation tax	**2.4**	0.4	**1.4**	0.3	**0.1**	0.1	**0.6**	-	**0.3**	-
Trade creditors	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Other creditors	**8.3**	-	**3.4**	-	**-**	-	**0.9**	-	**4.0**	-
Other creditors including taxation and social security	**10.7**	**0.4**	**4.8**	**0.3**	**0.1**	**0.1**	**1.5**	**-**	**4.3**	**-**

NOTES TO THE FINANCIAL STATEMENTS continued

18. Cash flows invested in portfolio investments

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Purchase of shares and other variable-yield securities	7.6	0.9	7.6	-	-	0.9	-	-	-	-
Purchase of debt securities and other fixed-income securit	112.7	93.1	89.6	92.5	16.3	0.6	2.9	-	3.9	-
Sale of shares and other variable-yield securities	(12.8)	(1.1)	(9.4)	-	-	(1.1)	(1.1)	-	(2.3)	-
Sale of debt securities and other fixed-income securities	(124.8)	(65.2)	(96.2)	(64.5)	(23.2)	(0.7)	(0.7)	-	(4.7)	-
Cash flow from investing activities	(17.3)	27.7	(8.4)	28.0	(6.9)	(0.3)	1.1	-	(3.1)	-

19. Movements in cash, portfolio investments and financing

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
At 21 February 2011										
Cash at bank and in hand	4.9	4.9	3.7	3.8	1.2	1.1	-	-	-	-
Shares and other variable-yield securities and units in unit trusts	0.8	0.9	-	-	0.8	0.9	-	-	-	-
Debt securities and other fixed-income securities	47.4	19.5	45.7	17.7	1.7	1.8	-	-	-	-
Total balance at 21 February 2011	53.1	25.3	49.4	21.5	3.7	3.8	-	-	-	-
Part VII transfer										
Cash at bank and in hand	12.7	-	5.5	-	2.1	-	3.6	-	1.5	-
Shares and other variable-yield securities and units in unit trusts	13.0	-	2.8	-	-	-	7.3	-	2.9	-
Debt securities and other fixed-income securities	36.7	-	-	-	9.0	-	20.6	-	7.1	-
Balance transferred	62.4	-	8.3	-	11.1	-	31.5	-	11.5	-
Cash flow										
Cash at bank and in hand	28.9	0.1	12.0	-	5.8	0.1	4.3	-	6.8	-
Shares and other variable-yield securities and units in unit trusts	(5.2)	(0.2)	(1.8)	-	-	(0.2)	(1.1)	-	(2.3)	-
Debt securities and other fixed-income securities	(12.1)	27.9	(6.6)	28.0	(6.9)	(0.1)	2.2	-	(0.8)	-
Cash flow for the year	11.6	27.8	3.6	28.0	(1.1)	(0.2)	5.4	-	3.7	-
Changes in market values and currencies										
Cash at bank and in hand	-	(0.1)	-	(0.1)	-	-	-	-	-	-
Shares and other variable-yield securities and units in unit trusts	2.8	0.1	2.1	-	-	0.1	0.7	-	-	-
Debt securities and other fixed-income securities	5.6	-	5.7	-	8.8	-	-	-	0.1	-
Changes in market values and currencies for the year	8.4	0.1	7.8	-	8.8	0.1	0.7	-	0.1	-
At 20 February 2012										
Cash at bank and in hand	46.5	4.9	21.2	3.7	9.1	1.2	7.9	-	8.3	-
Shares and other variable-yield securities and units in unit trusts	11.4	0.8	3.1	-	0.8	0.8	6.9	-	0.6	-
Debt securities and other fixed-income securities	77.6	47.4	44.8	45.7	3.6	1.7	22.8	-	6.4	-
Total balance at 20 February 2012	135.5	53.1	69.1	49.4	13.5	3.7	37.6	-	15.3	-

20. Reconciliation of income over expenditure before tax to net cash flow from operating activities

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012 US$m	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m
Excess/(shortfall) of income over expenditure before tax	**12.0**	23.1	**11.2**	22.2	**(0.9)**	0.9	**1.7**	-	**-**	-
Gains arising on realisation of investments	**(3.2)**	(1.7)	**(2.9)**	(1.6)	**-**	(0.1)	**(0.1)**	-	**(0.2)**	-
Losses arising on realisation of investments	**0.7**	1.4	**0.5**	0.9	**0.2**	0.5	**-**	-	**-**	-
Unrealised (gains)/losses on revaluation of investments	**(6.1)**	0.2	**(5.4)**	0.8	**(0.1)**	(0.6)	**(0.7)**	-	**0.1**	-
(Increase)/decrease in debtors	**(82.6)**	15.3	**(75.1)**	15.9	**(6.3)**	(0.6)	**(0.9)**	-	**(0.3)**	-
Increase in net claims provision	**4.6**	3.2	**3.5**	2.9	**1.0**	0.3	**0.1**	-	**-**	-
Increase/(decrease) in creditors	**100.4**	(13.7)	**78.5**	(13.1)	**7.2**	(0.6)	**9.1**	-	**5.6**	-
Net cash flow from operating activities	**25.8**	27.8	**10.3**	28.0	**1.1**	(0.2)	**9.2**	-	**5.2**	-

21. Movement in opening and closing portfolio investments

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2012 US$m	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m
Net cash inflow for the year	**28.9**	0.1	**12.0**	-	**5.8**	0.1	**4.3**	-	**6.8**	-
Portfolio investments	**(17.3)**	27.7	**(8.4)**	28.0	**(6.9)**	(0.3)	**1.1**	-	**(3.1)**	-
Movement arising from cashflows	**11.6**	27.8	**3.6**	28.0	**(1.1)**	(0.2)	**5.4**	-	**3.7**	-
Part VII transfer	**62.4**	-	**8.3**	-	**11.1**	-	**31.5**	-	**11.5**	-
Change in market value	**17.4**	0.1	**7.8**	-	**8.8**	0.1	**0.7**	-	**0.1**	-
Total movement in portfolio investments	**91.4**	27.9	**19.7**	28.0	**18.8**	(0.1)	**37.6**	-	**15.3**	-
Portfolio investments at 21 February 2011	**53.2**	25.3	**49.5**	21.5	**3.7**	3.8	**-**	-	**-**	-
Portfolio investments at 20 February 2012	**144.6**	53.2	**69.2**	49.5	**22.5**	3.7	**37.6**	-	**15.3**	-

22. Rates of exchange

	2012	2011
The following rates of exchange were applicable to US$1 at 20 February 2012 (2011)		
Australian dollars	**0.93**	1.00
Bermudan dollars	**1.00**	1.00
Canadian dollars	**1.00**	0.99
Euro	**0.76**	0.74
Japanese yen	**79.36**	83.39
Singapore dollars	**1.26**	1.28
Swiss francs	**0.92**	0.97
UK sterling	**0.63**	0.63

23. Ultimate parent undertaking

The directors regard The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited, a company registered in Bermuda, as the immediate and ultimate parent undertaking and ultimate controlling party. Copies of the consolidated financial statements of The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited can be obtained from the registered office: Burnaby Building, 16 Burnaby Street, PO Box HM1743, Hamilton HMGX, Bermuda.

A parental guarantee exists to ensure that the club is able to meet its liabilities as they fall due.

24. Related parties

Advantage has been taken of the exemption in FRS8 (Related Party disclosures) not to disclose transactions with the ultimate parent undertaking.

The club, which is limited by guarantee, has no share capital and is controlled by the members who are also its insureds. All members enter into insurance contracts negotiated with the club's managers on arm's length terms. These transactions are therefore with related parties and are the only transactions between the club and the members. The aggregate of these transactions is disclosed in these financial statements.

Four of the directors are representatives or agents of member companies and the remaining two directors are directors and shareholders of Charles Taylor Consulting plc, the ultimate holding company of the club's managers, Charles Taylor & Co (Bermuda). Other than the insurance and membership interest of the directors' companies, the directors have no financial interests in the club.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STANDARD STEAMSHIP OWNERS' PROTECTION AND INDEMITY ASSOCIATION (EUROPE) LIMITED

We have audited the financial statements of The Standard Steamship Owners' Protection and Indemnity Association (Europe) Limited (the 'club') for the year ended 20 February 2012 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the club's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the club's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the club's affairs as at 20 February 2012 and of its excess of income over expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Claire Stockhausen (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 May 2012

NOTICE OF ANNUAL GENERAL MEETING

THE STANDARD STEAMSHIP OWNERS' PROTECTION AND INDEMNITY ASSOCIATION (EUROPE) LIMITED ('the company')

Registered no: 17864

Notice is hereby given that the 128th Annual General Meeting of the company will be held on Friday 12 October 2012 at 1.15pm ('the meeting') at the Shilla Hotel, 202 Jangchung-dong 2-Ga, Jung-gu Seoul 100-856, Korea for the purpose of considering and, if thought fit, passing the following as ordinary resolutions.

Reports and financial statements

1. THAT the reports of the directors and auditors and the audited financial statements of the company for the year ended 20 February 2012 be received and adopted.

Re-election of directors appointed since the last AGM

2. THAT Matthew Cox be re-elected as a director of the company.
3. THAT David Marock be re-elected as a director of the company.
4. THAT Constantine Peraticos be re-elected as a director of the company.

Annual re-election of directors

5. THAT Rod Jones be re-elected as a director of the company.

Appointment of auditors

6. THAT PricewaterhouseCoopers LLP be re-appointed as auditors, and that the directors be authorised to fix their remuneration.

Date: 9 May 2012
By order of the Board

Charles Taylor & Co Limited
Secretary

Registered Office:
Standard House
12-13 Essex Street
London
WC2R 3AA

Notes:

1. A member of the company entitled to attend, speak and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote on his/her behalf. The proxy need not be a member of the company. A proxy will have the same number of votes on a show of hands as if the member who appointed the proxy was at the meeting.
2. The appointment of a proxy will not prevent a member from subsequently attending, speaking and voting at the meeting in person. Details of how to appoint the chairman of the meeting or another person as your proxy are set out in the notes to the Form of Proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
3. For the instrument appointing a proxy to be effective, you must complete the enclosed Form of Proxy and ensure that the Form of Proxy, together with any power of attorney or other authority under which it is executed (or a notarially certified copy of the same), is deposited with the Secretary of the company, Charles Taylor & Co Limited, Standard House, 12-13 Essex Street, London WC2R 3AA, or scanned and emailed to p&i.london@ctcplc.com not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
4. A corporate shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same vote.

FORM OF PROXY

THE STANDARD STEAMSHIP OWNERS' PROTECTION AND INDEMNITY ASSOCIATION (EUROPE) LIMITED ('the company')

Registered no: 17864

128th ANNUAL GENERAL MEETING
12 October 2012 at 1.15pm ('the meeting')

I (Block Capitals)……………………………………………………, a member of the above-named company, hereby appoint the chairman of the meeting, or …………………………… as my proxy to vote for me on my behalf at the Annual General Meeting of the company to be held at the Shilla Hotel, 202 Jangchung-dong 2-Ga, Jung-gu Seoul 100-856, Korea, on Friday 12 October 2012 at 1.15pm, and at any adjournment thereof.

Signature……………………………………….

Dated…………………………………….2012

Please indicate with an X in the spaces below how you wish your votes to be cast.

ORDINARY RESOLUTIONS	**FOR**	**AGAINST**
1. THAT the reports of the directors and auditors and the audited financial statements of the company for the year ended 20 February 2012 be received and adopted.		
2. THAT Matthew Cox be re-elected as a director of the company.		
3. THAT David Marock be re-elected as a director of the company.		
4. THAT Constantine Peraticos be re-elected as a director of the company.		
5. THAT Rod Jones be re-elected as a director of the company.		
6. THAT PricewaterhouseCoopers LLP be re-appointed as auditors, and that the directors be authorised to fix their remuneration.		

Notes

1. A member may appoint a proxy of his own choice. If such an appointment is made, delete the words 'the chairman of the meeting' and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
4. To be valid at the Annual General Meeting referred to, this form must be completed, signed and dates. It should then be deposited with the Secretary of the company, Charles Taylor & Co Limited, Standard House, 12-13 Essex Street, London WC2R 3AA, or scanned and emailed to p&i.london@ctcplc.com not less than 48 hours before the time fixed for holding the meeting or adjourned meeting
5. Completion and return of this form will not prevent you from attending and voting in person if you wish. Copies of the form can be downloaded from www.standard-club.com.

MANAGERS AND OFFICERS

Managers
Charles Taylor & Co (Bermuda)

Secretary
Charles Taylor & Co Limited

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