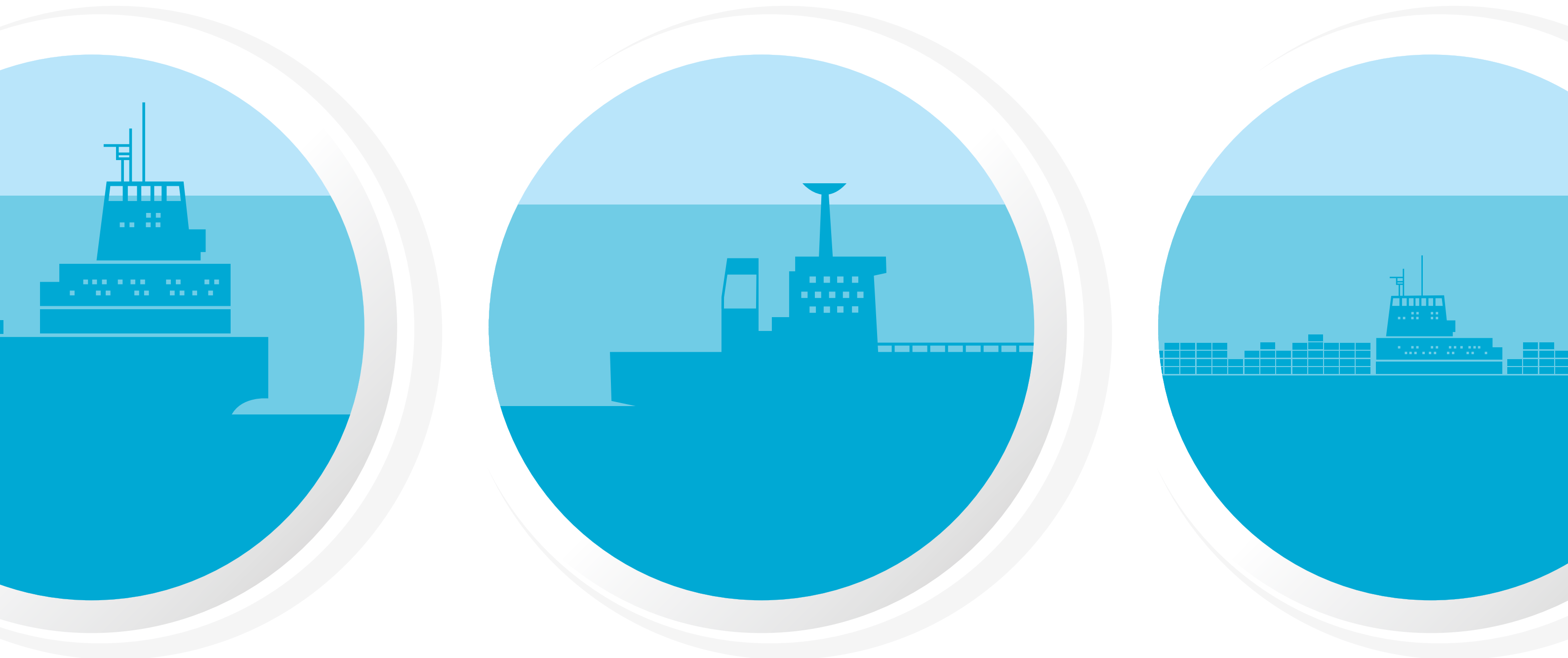
The Standard



Annual report and financial statements 2016

The Standard Club Ltd

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* Appendices I, II and III are unaudited.

1 Key facts

Financial highlights 2016

Steady, selective growth; strong balance sheet; sustainable underwriting

Calls and premiums

$354m

2016 354
2015 354

Combined ratio

95%

2016 95
2015 100

Free reserves

$390m

2016 390
2015 380

Tonnage

138mgt

2016 138
2015 135

Results for the financial year ended 20 February 2016	2016 $m	2015 $m
Calls and premiums net of reinsurance	**264**	262
Total claims net of reinsurance and operating expenses	**(246)**	(262)
Balance of technical account for general business	**18**	–
Net investment income	**(8)**	12
Excess of income over expenditure for the year	**10**	12
Outstanding claims liabilities		
Estimated known outstanding claims net of all recoveries	**438**	458
Incurred but not reported claims (IBNR)	**145**	118
Total estimated claims liabilities	**583**	576
Funds available for claims		
Open policy years	**278**	313
Closed policy years	**305**	263
Free reserves	**390**	380
Total balance sheet funds	**973**	956

The club at a glance

Steady, selective growth; strong balance sheet; sustainable underwriting

Free reserves

$390m

2016	390
2015	380
2014	369
2013	363
2012	353

Premium income

$354m

2016	354
2015	354
2014	336
2013	294
2012	286

Combined ratio

95%

2016	95
2015	100
2014	101
2013	113
2012	115

Tonnage

138mgt

2016	138
2015	135
2014	131
2013	135
2012	132

Investment return

(0.9)%*

2016	(0.9)
2015	1.8
2014	0.6
2013	6.6
2012	6.6

* 2016 return includes revaluation of Standard House.

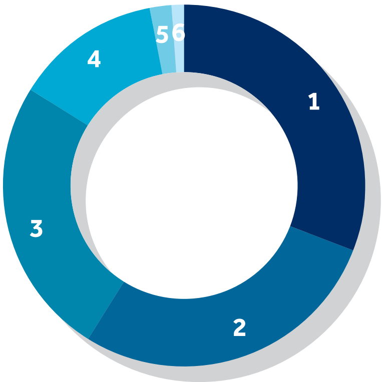
Claims cover ratio of net assets to outstanding claims

1.65

2016	1.65
2015	1.66
2014	1.63
2013	1.65
2012	1.67

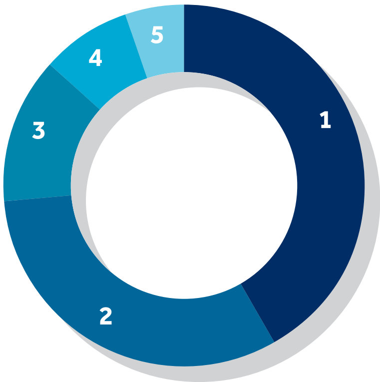
Diverse business, conservative asset allocation

Ship types entered
Owned tonnage



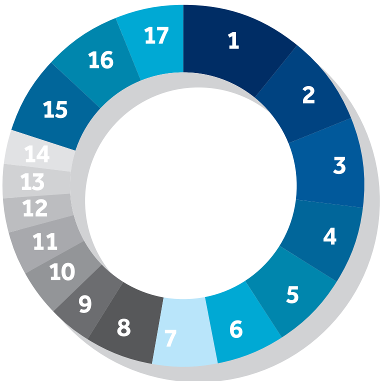
1	Tankers	31%
2	Container and general cargo	28%
3	Dry bulk	25%
4	Offshore	13%
5	Other	2%
6	Passenger and ferry	1%

Asset allocation
As at 20 February 2016



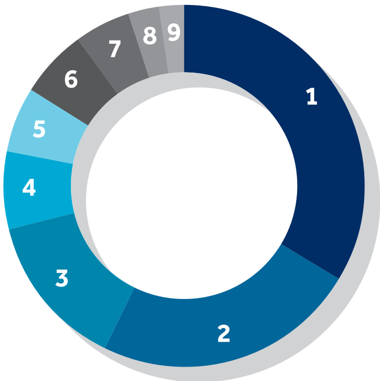
1	Sovereign bonds	41.9%
2	Corporate bonds	31.9%
3	Equities	12.9%
4	Alternatives	8.2%
5	Cash	5.1%

Country of management
Owned tonnage



1	Greece	11%
2	Japan	8%
3	Nordic region	8%
4	Singapore	7%
5	Canada	7%
6	USA	6%
7	Germany	6%
8	Italy	6%
9	Republic of Korea	4%
10	Netherlands	4%
11	Turkey	4%
12	Monaco	3%
13	Middle East	3%
14	United Kingdom	3%
15	Rest of Asia	7%
16	Rest of Europe	7%
17	Rest of world	6%

P&I claims by type
2011–2015 capped at $9m



1	Cargo	34%
2	Personal injury	24%
3	Fixed and floating objects	14%
4	Wreck	7%
5	Pollution	6%
6	Collision	6%
7	Damage to hull	5%
8	Fines	3%
9	Other	2%

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Chairman's statement

Chairman's statement

In another remarkably difficult year for the global shipping industry, The Standard Club has worked hard to deliver cost-effective insurance cover to its members. We have achieved a positive underwriting result, increased the level of the club's reserves commensurate with the continued growth of the club and welcomed several new members.

Some seven years after the financial crash, many expected the shipping industry to have started to pull out of the difficult trading conditions. This has not happened: shipowners are facing continued difficult market conditions, particularly in the dry and offshore sectors, and are looking to minimise all their costs. The club recognises the difficult market and has worked to keep premiums to a minimum, consistent with prudent underwriting.

We have also driven forward the club's four strategic objectives:

- to offer a broad range of P&I insurance and other marine and energy covers that represent excellent and sustainable value;
- to be recognised as providing excellent service through solving members' problems;
- to provide first-class financial security;
- to achieve selective growth, consistent with the other objectives.

In particular, we have diversified the club's business with the launch of The Standard Syndicate at Lloyd's. This provides members with a wide range of covers designed to meet their needs while delivering new sources of income to support our core mutual P&I business.

Overall, the club has achieved a very positive result in an extremely challenging environment.

Pursuing selective growth

The club pursues selective, high-quality growth. This increases our overall financial strength and efficiency over time by ensuring an appropriate spread of risk both geographically and by ship type, with operating quality being a key focus. As in prior years, our approach to pricing has been that a member's premium should be in line with the risk that it brings to the club. We announced a general increase of 2.5% for the 2016/17 renewal, in line with the majority of clubs. We renewed over 94% of the membership, increased the entry of a number of members and attracted some high-quality new members to the club. Owned and chartered tonnage insured by the club rose over the year to 138mgt, up from 135mgt at renewal in February 2015.

Combined ratio

2016
95%

2015
100%

2014
101%

Chairman's statement continued

Providing first-class financial security

We achieved a combined ratio of 95% in 2015/16. As a mutual insurer, we do not aim to make a profit from underwriting our mutual business. Although we targeted a break-even result for 2015/16, the results for this year have been helped by some improvement on prior year claims.

Given the current market volatility, the club has maintained a very conservative investment position throughout the year. Although the club made a small investment loss of 0.9%, the board considers this to be an acceptable performance given the very difficult markets seen for almost all investment classes in 2015.

Free reserves have increased to $390m. Over the past five years, the club's reserves have increased by a modest 11%, reflecting the increase in business insured in the club and the need to maintain the club's capital strength. We believe that at current levels we can provide members with high levels of security without holding unnecessary amounts of members' capital.

Ratings agency Standard & Poor's (S&P) has recognised the club's track record of reporting sustainable combined ratios. During the year, it reaffirmed the club's A (strong) credit rating and revised its outlook from negative to stable.

Clear focus on costs

Our members expect the club to be managed cost-effectively, providing good value and high-quality services. The managers have focused on reducing claims costs and increasing efficiency without impacting the high service standards provided to members. A significant initiative has been to tackle the cost of claims, which comprises the underlying liabilities and the fees of third-party service providers such as lawyers, consultants and correspondents. The managers have reduced fees and secured value-added services by negotiating with major service providers. These arrangements are underpinned by service level agreements in place with an approved list of UK and US legal and technical providers. The next phase, which is underway, involves a similar review of law firms, consultants and correspondents worldwide.

Offering a broad range of covers of excellent and sustainable value

We believe that one of the most effective ways for the club to provide a high level of financial security to members is by increasing the source and diversity of our income streams. One way we are doing this is by increasing the range of insurance covers we offer to members.

Our major initiative in 2015 was to establish The Standard Syndicate at Lloyd's, which started underwriting on 1 April 2015. The syndicate offers a broad range of non-P&I marine and energy covers. The syndicate had a strong start, recruiting a high-quality team of underwriters, and building a new and innovative distribution network. It received extremely strong support from brokers familiar with The Standard Club. Around 30% of its hull business and 40% of its energy book have been written for club members.

In its first year, the syndicate exceeded its target to bring new business to Lloyd's, underwrote high-quality risks, experienced claims lower than its first year forecast and underwrote a volume of premium which, while below target, is well within an acceptable range. The impact on the club will be in line with the forecast, which is for a small deficit reflecting start-up costs. In the medium to long term, we expect the syndicate to provide a meaningful profit to the club, supporting the club's growth and financial strength, and contributing to the aim of reducing the cost of members' mutual P&I cover.

Offering excellent service through solving members' problems

I am delighted to report that in a survey of the club's members in the summer of 2015, 96% of respondents confirmed that they would recommend the club to another shipowner. Members emphasised the proactivity, responsiveness and flexibility of the service provided by the club.

Committed to the club system

We firmly believe that the club structure and the pooling arrangements of the International Group of P&I Clubs (IG) provide the best way to deliver financial security and protection to shipowners. We engage positively with the IG's committees and working groups to support, improve and further develop the system.

Effective governance

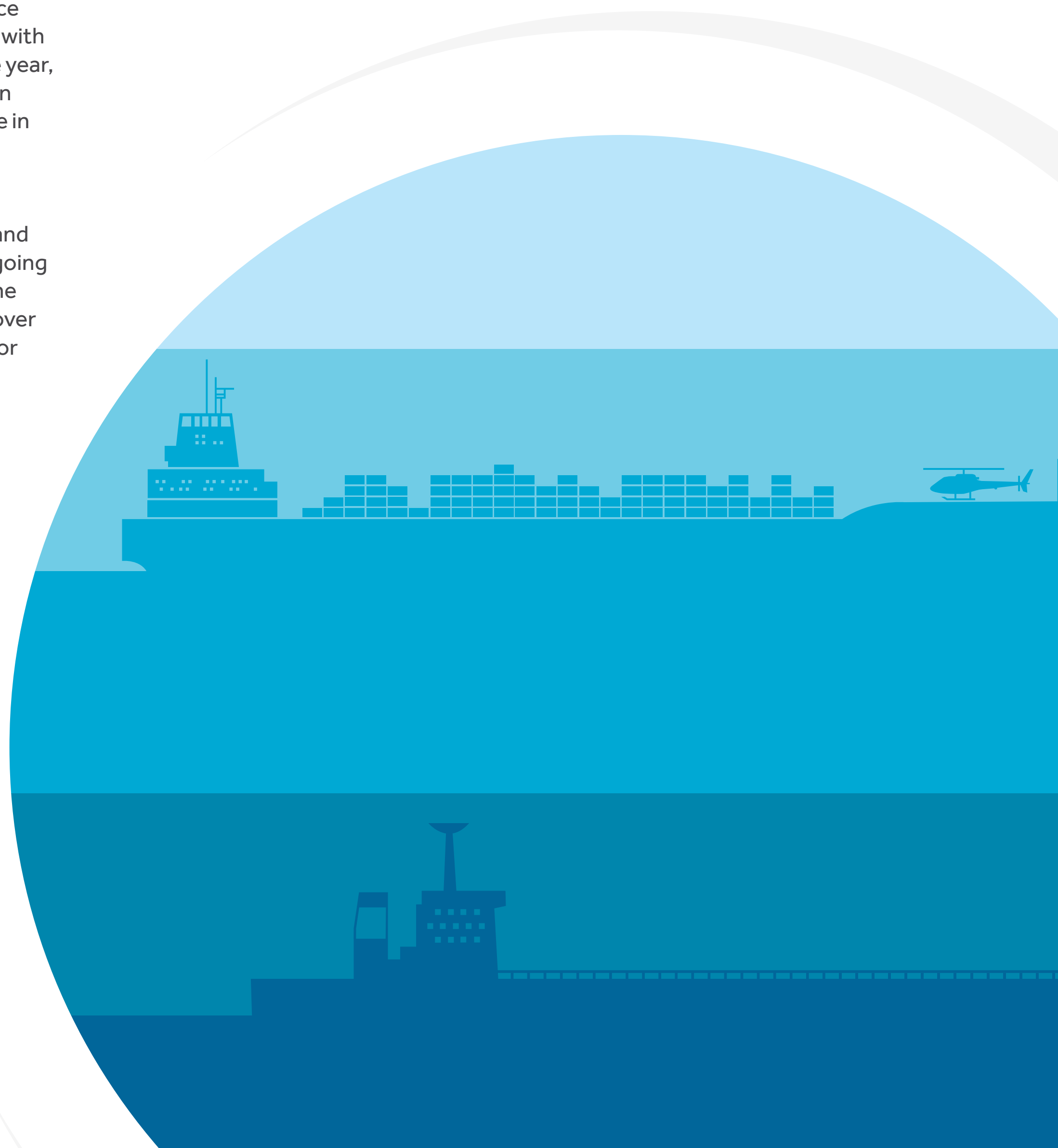
The board works closely with the managers to deliver effective governance to the club, which has successfully transitioned to operate in compliance with the Solvency II regime. I would like to thank my fellow directors for their contribution to the board, to its committees and to those of its operating entities.

There have been a number of changes to the board in 2015. I am pleased to welcome Erik Johnsen as a Deputy Chairman, alongside Cesare d'Amico, following the distinguished service of Constantine Peraticos in the role. I am also pleased to welcome Alan Cossar and Philip Clausius to the board.

The Standard Club has had a long relationship with its managers, Charles Taylor, dating back to its inception in 1884. The board evaluates the managers' performance annually under a service level agreement and is very pleased with the service they provide. During the year, the club increased its shareholding in Charles Taylor in order to participate in its growth and success.

Finally, I would like to thank all the members for their commitment to and enthusiasm for the club. It is the ongoing support of members that enables the club to provide such high levels of cover and service in these difficult times for the shipping industry.

Rod Jones
Chairman



3 The directors

The directors

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

R Jones[1,2,3,4,5,6]
President and Chairman
CSL Group Inc

C d'Amico[2,3,4,6]
Deputy Chairman
d'Amico Società di Navigazione SpA

E Johnsen[1,3,4,6]
Deputy Chairman
International Shipholding Corporation

N Aksoy
Akmar Holding SA

L D'Amato
Fratelli D'Amato SpA

A Bensler[2,3]
Teekay Corporation

A Broomhead[1,5]
Pacific Basin Shipping Ltd

A Chiarini
Saipem Group

R Clarke[1,3,4]
British Columbia Ferry Services, Inc

P Clausius[5]
Transport Capital Pte Ltd
(Appointed 26 January 2016)

P Clerici
Coeclerici SpA

A Cossar[1]
Bermudian resident director
(Appointed 26 January 2016)

M Cox[1,3,4]
Matson Navigation Co Inc

H Deeble CBE[3]
P&O Ferries Division Holdings Limited

A Groom[1,2,3,4,6]
Non-executive director

J Grose[4]
Manager
(Appointed 30 October 2015)

N Hadjioannou[2]
Alassia Holdings Inc

B Harinsuit[2,5]
The Harinsuit Transport Co Ltd

B J Hurst-Bannister[1,3,4,6]
Insurance expert director

G Jaegers
Reederei Jaegers GmbH

D Koo[5]
Valles Steamship Co Ltd

E Lauro
Scorpio Group

D Marock[4]
Manager

A Martinos
Minerva Marine Inc

R Menendez Ross[1,2,3,4,5,6]
Interocean Transportation Inc

C Peraticos[2,3]
Pleiades Shipping Agents SA

J B Rae-Smith[3,5]
Swire Pacific Offshore Ltd

S Rosina[3]
Premuda SpA

P Senkbeil
SBM Offshore

M Sørensen[1,4,6]
Maersk Drilling A/S

S S Teo[5]
Pacific International Lines (Pte) Ltd

1 Member of the Audit and Risk Committee.
2 Member of the Nomination and Governance Committee.
3 Member of the Strategy Committee.
4 Director of Standard Europe.
5 Director of Standard Asia.
6 Member of the Chairman's Group.

4

Report of the directors

Business review

Principal activities
The principal activity of The Standard Club Ltd was to act as a holding company for subsidiaries that provide insurance and reinsurance of marine protection & indemnity (P&I) and related risks, war risks and defence risks, on behalf of the members. At 20 February 2016, there was approximately 138mgt of shipping entered in the club.

The club also has a 40% share of a Lloyd's syndicate (The Standard Syndicate) which writes marine and energy business in large part (but not exclusively) for the club's members.

Directors
The directors of the club who were in office since the last report and up to the date of signing the financial statements are shown on page 9 of this report.

The board was pleased to welcome Alan Cossar, Philip Clausius and Jeremy Grose as new directors. Having been appointed during the year, they offer themselves for re-election at the AGM. The directors who retire by rotation in accordance with the bye-laws and offer themselves for re-election are Art Bensler, Andrew Broomhead, Helen Deeble, Emanuele Lauro, Stefano Rosina and Peter Senkbeil. The directors fulfilling the corporate governance requirement to seek annual re-election after serving a period of nine years on the board and who, being eligible, have also offered themselves for re-election are: Necdet Aksoy, Luigi D'Amato, Cesare d'Amico, Paolo Clerici, Alistair Groom, Bhumindr Harinsuit, Erik Johnsen, Rod Jones, Ricardo Menendez Ross and Constantine Peraticos. Details of those directors seeking annual re-election are included in the notice of the AGM, set out on page 66.

Meetings of the board
Since the date of the last report, the board has met on three occasions: on 30 October 2015 in Bangkok, on 26 January 2016 in Bermuda and on 13 May 2016 in Athens. At each meeting, the board reviewed the club's strategy and business plan, risks, financial and underwriting performance, significant claims, new members admitted to the club, new ships attaching, reinsurance arrangements, legal, regulatory and tax matters, industry developments, control and governance matters, and investment strategy and results. The principal issues discussed by the board, and the decisions reached, are set out in this report.

The Audit and Risk Committee, Nomination and Governance Committee, and Strategy Committee have each met on three occasions since the date of the last report. The Chairman's Group has also held regular discussions with the managers during the year to monitor the club's performance between board meetings.

Summary financial results and consolidated balance sheet
As set out in the consolidated statement of comprehensive income, there is a surplus for the year of $10m (2015: $12m). Total reserves available for claims stand at $973m (2015: $956m). The amount set aside to meet outstanding claims and IBNR was $583m at 20 February 2016 (2015: $576m).

Statement of comprehensive income
Revenue from calls, premiums and releases amounted to $354m (2015: $354m). Paid claims, net of reinsurance recoveries, were $200m (2015: $237m). Pool and reinsurance recoveries amounted to $139m (2015: $248m).

Average expense ratio
The average expense ratio for the club's P&I class for the five years ended 20 February 2016 is 12.2% (2015: 11.4%). The ratio was calculated in accordance with the Schedule and Guidelines issued by the International Group (IG) 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.

Open and closed policy year balances – 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 2013/14 policy year at its meeting on 13 May 2016 on the basis of the financial position at 20 February 2016. The total open policy year balance at 20 February 2016 amounted to $260m after closure of the 2013/14 policy year. Included in this balance are estimated reinsurance recoveries of $97m. The estimate of net outstanding claims liabilities for the closed years amounted to $300m (including liabilities for the 2013/14 policy year).

Business review continued

Free reserves
These represent the surpluses built up out of open and closed policy years, and constitute the core capital of the club.

The club's free reserves increased to $390m at the year end (2015: $380m). The club's reserves have increased only a modest amount over the last few years, reflecting an increase in business insured in the club, and the need to maintain the club's capital strength. The board reviewed the strategic purpose and appropriate level for the free reserves, and agreed that the level of free reserves or capital to be held should be sufficient to:

1. ensure that the club has sufficient capital to reflect its business risks and to comply with regulatory requirements;
2. 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, levied only in extreme stressed scenarios;
3. 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 discipline on pricing and quality; and
4. maintain an S&P or similar rating of A or above.

The current level of free reserves is within the target strategic range set by the board. This range is set by reference to various solvency tests. The board will ensure that the free reserves continue to be aligned with the volume of, and risks in, the club's business.

The board keeps the need to make supplementary calls under review when considering the overall financial resources available to the club and has decided that no supplementary call is currently needed for any of the open policy years, nor is any expected.

Strategy and business plan
During the year, the Strategy Committee and the board reviewed the club's strategy. The board, in accordance with the recommendations of the Strategy Committee, confirmed the club's focus on providing a broad range of P&I insurance and other marine and energy-related covers that represent excellent and sustainable value, with first-class financial security and market-leading service. The board agreed a continued focus on members with high-quality operations and on long-term relationships, independent of country of management, fleet size, ship type or age.

The board believes that the club should continue to seek growth in its core business areas, provided that this does not undermine the solid financial attributes of the club and that any development is consistent with the club's emphasis on operating quality.

Furthermore, the ongoing provision of the club's non-P&I covers is seen by the board as positive for the club's appeal to its mutual members and for the financial strength of the club. Demand from members for these covers continues to grow due to a desire for club-style service for covers beyond poolable P&I cover, and they make a material contribution to the club's gross premium and overall financial position. It is critical that the club's mutual and non-mutual exposures remain in appropriate proportions and therefore the board reviews this regularly.

The club has continued to develop its fixed premium P&I cover for members wanting limits below those offered by the IG structure and for business that cannot be pooled with the other IG clubs. The club can provide fixed limit cover up to $1bn, making this one of the leading facilities in the market.

The board remains fully committed to mutuality and to the IG system, and aims to ensure that both the club and the IG evolve continuously to improve the security and service provided to shipowners.

Key performance indicators

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

	2012	2013	2014	2015	**2016**	Trend 2015-16
Tonnage mgt	132	135	131	135	**138**	
Gross premium and calls $m	286	294	336	354	**354**	
Free reserves $m	353	363	369	380	**390**	
Claims cover[1]	1.67	1.65	1.63	1.66	**1.65**	
Financial year combined ratio[2] %	115	113	101	100	**95**	
Investment return[3] %	6.6	6.6	0.6	1.8	**(0.9)**	

1 Ratio of net assets to outstanding claims.
2 The ratio of total expenditure to total income, as set out in the technical account section of the consolidated statement of comprehensive income. A ratio below 100% indicates an underwriting surplus.
3 Return for 12 months to 20 February. The 2016 result includes revaluation of Standard House.

The Standard Syndicate

Following its successful launch on 1 April 2015, The Standard Syndicate has performed well, with the 2015 year of account premium broadly in line with expectations. The 2016 year of account has got off to a good start.

After careful review of the market context, business model and financial projections, the board agreed during 2015 to continue to provide 40% of the syndicate's capital requirement in 2016. The syndicate's remaining capital was successfully raised from industry investors and Lloyd's names.

The syndicate's plan for 2016 and beyond is ambitious, with a continued focus on writing profitable business, not volume. In addition to writing hull, marine and energy liability, energy physical damage, D&O and E&O, marine and energy-related property, and cargo and specie business, the syndicate will also be writing political risks in 2016. These classes have been selected based on the expected insurance requirements of the club's members.

The board views The Standard Syndicate as an important part of the strategic and financial success of the club, and hopes that club members consider it seriously as they determine how best to meet their non-P&I insurance needs.

Future outlook

The club's financial strength 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. P&I underwriting conditions are challenging and are expected to remain so. However, the managers undertook a range of performance improvement initiatives to mitigate the impact of these conditions in 2015/16. These have had good results and the managers will focus on making further improvements in 2016 and beyond aimed at achieving a stable 'break-even' underwriting result while minimising the rate rises required of club members.

Operational review

Overview

Underwriting

The underwriting result for this financial year is 95%, an improvement on last year's performance of 100%. Allowing for a small negative result on investments, the free reserves have shown a small increase to $390m. The club has seen a positive claims development on prior policy years (particularly 2014), offsetting a small projected deficit on the 2015 policy year.

The club announced a 2.5% general increase at the 2016 renewal. This was in line with the majority of market announcements and less than the club's current estimate of the cost of liability inflation, which is running at between 5% and 6% per annum. The 2016/17 policy year is, at this early stage, projected at close to break-even. The club remains focused on underwriting discipline, risk selection and loss prevention, and the board believes that this approach has supported the club's improved underwriting performance.

The original Estimated Total Premium is not expected to be exceeded in any of the open years for any class.

Release calls

An actuarial assessment is undertaken to establish the level of release calls for each policy year, as the various risks to which the club is exposed could lead to a wide variety of profit and loss outcomes. The club has considered each of a large number of possible results to assess the probability of the free reserves falling to a level at which a supplementary call might be made. The size of such a supplementary call, weighted by the probability of requiring a call of that size, represents the liability foregone by a member who leaves the club. A benchmark release call rate is calculated as this amount plus a risk transfer premium, adjusted to take into account any commercial or market considerations. On this basis, the club has agreed to set release calls at 2% for 2014/15, 3% for 2015/16 and 7% for 2016/17, maintaining the rates set last year, which are amongst the lowest in the International Group.

Membership and tonnage

Good risk selection and correct pricing are a priority in selecting the right members for the club. Each year, the club takes steps at renewal to improve the overall quality of the book and, as a result, some members leave the club but some new members join.

At February 2015, tonnage was 135mgt; at February 2016, tonnage is 138mgt. It is anticipated that notwithstanding tough trading conditions for much of the membership, the growth of the business during the year will see further additions to the club by next renewal.

The claims environment

The 2015/16 policy year started on a positive note with a significant decrease in the number of large P&I claims as compared with recent years. Unfortunately, the second half of the year saw a number of large casualties, a couple of which involved complex and potentially expensive wreck removal operations.

However, the current year is still more benign than the previous two policy years, and the older 'back' years have seen no significant deterioration in claims projections.

Historically, cargo claims and crew illness and injury claims each accounted for approximately one-third of the total gross yearly claims cost to the club. These liabilities continue to predominate at the lower claims value level, but for larger claims, which constitute approximately 60% of the total gross cost, wreck removal liabilities and associated fines have assumed far greater significance in recent years. By dealing with these new challenges, the club's claims teams have developed considerable expertise in large casualty management. Risk-based analysis of the most cost-effective technical options for dealing with wrecks and associated environmental issues is increasingly employed.

The club's claims experience continues to highlight concerns over bridge team management and navigational competence in crowded shipping lanes. Unfamiliarity with new navigational aids such as ECDIS needs to be addressed by operators as a priority in order to prevent this becoming a more frequent cause of collisions and groundings, which in some cases can lead to wreck removal.

Third-party service providers (lawyers, technical experts and club correspondents) account for over 20% of the yearly claims cost. A lot of work has been done by the club managers over the last 12 months to reduce such claims-handling costs. Lower hourly rates and alternative billing arrangements have resulted in significant cost savings, while preserving the quality of service provided to the club's members.

Pool claims
The 2015/16 policy year is looking to be a comparatively benign year on the Pool, with only 14 claims notified to the IG in total at 20 February 2016, two of which are from The Standard Club. This is compared to 17 Pool claims notified on the 2014/15 policy year (three from the club) and 25 on the 2013/14 policy year (four from the club).

Selected key business areas

Standard Asia
The Standard Club Asia Ltd (Standard Asia) is the only P&I club incorporated in Singapore and provides a fully autonomous service to members in the Asia-Pacific region. Standard Asia enjoyed steady growth during the 2015/16 policy year, welcoming seven new members. Tonnage and premium, although up over the policy year, declined slightly at the 20 February 2016 renewal despite four new members joining the club. This reflected the departure of six members, for various reasons, and a reduction in charterers' business. Good progress has been made in improving the club's underwriting result and, after a number of years of underwriting losses, a surplus has been achieved on the 2015/16 financial year with a combined ratio of 91%.

There are 31 staff in Singapore who provide a complete range of member services, including claims, underwriting, loss prevention and finance. A further two claims staff are based in Hong Kong and report to Singapore.

Singapore War Risks Mutual
Singapore War Risks Mutual, a class within Standard Asia with its own committee, completed its first year of underwriting on 20 February 2016. The year ended with 316 ships entered in the facility by 19 owners. Both the number of ships entered and the premium income generated were significantly in excess of budget, despite strong competitive pressures. With a small surplus after reinsurance premiums and other costs, the class is now making a positive contribution to the club's overall result.

TS21
The club's joint venture with Tokio Marine and Nichido Fire continues to be a significant part of the club's tonnage at 9%. The combined service offering continues to attract new members and four have been welcomed this year.

Standard Offshore
During the 2015/16 policy year and at renewal, the Offshore Division has continued to attract additional tonnage from existing members and has introduced some significant new members to the club, focusing, as ever, on targeting quality operators. The effect of the continued suppressed oil price and resulting reduced capital expenditure for existing and potential projects has impacted all sectors. As a result, emphasis remains on supporting members by promoting loss prevention and assisting them with maintaining contracting discipline.

London class
The specialist inland and short sea class of the club continues to perform well and has continued to grow with an increase of 6% in tonnage and 7% in premium this year. There are now 2,908 units entered in the class.

This sector is suffering the same pressures as the wider shipping market and operators are looking for savings in all areas. In addition, there is significant competition from the commercial insurance sector. These pressures lead to a difficult operating environment. However, through the provision of superior service and the broadening of the cover, the class continues to prosper.

Defence class
Claims activity in the Defence class has moderated. Over the last two policy years, the legal spend has returned to pre-2008 levels, despite the ongoing difficulties in the shipping market, such as the OW Bunker insolvency, which has had a widespread effect on owners, operators and charterers, who have faced competing demands for payment and arrests by the physical suppliers of bunkers. The club's recent initiatives aimed at keeping down the cost of lawyers, consultants and experts have certainly contributed to this favourable result.

War Risks class
The War Risks class of Standard Europe provides war risks cover principally for British flagged and British controlled ships, although in recent years cover has been extended to non-British flagged ships. The class is a member of the Combined Group of War Risks Associations, whose primary role is to facilitate collective reinsurance for member clubs through the Pool and reinsurance arrangements.

Operational review continued

Reinsurance

Club retention and the Pool

The individual club retention has increased to $10m for the 2016/17 policy year. The Pool retention remains at $80m, and the Pool now has only two layers: $10m to $45m, and $45m to $80m. The pooling mechanism maintains fairness between IG clubs and ensures that the exposures generated are manageable.

The IG reinsurance programme

This year's renewal resulted in an overall premium decrease of around 7.5%. There was a small change to the structure of the first layer of the programme this year, with another new provider joining the programme on a $100m excess. Hydra, the IG's captive, has an aggregate retention under its own reinsurance contract of $125m.

Non-Pool reinsurance programme

A large proportion of the club's members benefit from the club's non-poolable covers. The biggest users of the Non-Pool programme are charterers and those involved in the offshore energy and specialist sectors, whose risks are largely excluded from the Pool. The club continues to offer the same maximum limit of $1bn. This programme also includes the club's fixed premium business.

Retention reinsurance

The club has purchased a new stop loss protection for its retention risks.

The club appreciates the support given by its reinsurers and highly values its relationship with them.

Loss prevention

The club's loss prevention function was established in 1989, and it has evolved continuously since in order to meet the needs of members in an ever-changing maritime industry. This multidisciplinary loss prevention team includes master mariners, naval architects, ship production engineers and specialist surveyors, with expertise spanning technical issues, crew and bridge management, management practices and organisation. This unique mixture of skills enables the team to meet the needs of members, whether those needs are routine or specialist and bespoke.

The objectives of the loss prevention team are to:

- ensure the club underwrites ships and members of appropriate quality;
- minimise losses to members and to the club; and
- provide expert technical and loss prevention advice to members, and to the club's underwriting and claims teams.

During the 2015/16 policy year, the managers carried out a total of 43 member risk reviews. The managers also carried out 523 ship surveys, including 404 routine surveys, 69 entry surveys and 50 follow-up surveys. The survey results fell within the expected brackets, with 46% of the surveys considered a pass, 45% of surveys resulting in recommendations that the members could rectify without any cover implications, and 9%, or 44 surveys, resulting in a request for repairs to be carried out as a condition of continued cover. At the last renewal, four members were not offered renewal terms as a result of concerns about operational quality.

A comprehensive review of the club's loss prevention processes was carried out in the second half of 2014 and the recommended changes have been implemented during the 2015/16 policy year. A key example of this is that risk triggers were introduced as part of the weekly meetings between the divisions and their appointed loss prevention surveyor for follow-up. Risk triggers can include, for example, claim trends, a change of trading area or cargo, sudden expansion or diversification of the fleet, poor financial status or a change of third-party managers. The loss prevention department reviewed and followed up on 56 such risk triggers during the 2015/16 policy year.

Training and education are viewed by the club as key tools in the fight against preventable claims. The club's educational efforts cover technical and behavioural/managerial topics, and include both loss prevention publications and initiatives. For example, the pre-employment medical examination programme recommends specific clinics in the Philippines and encourages a focus on crew health issues with targeted publications. Furthermore, the managers continue to engage with various industry bodies on specific projects, full details of which can be found on the club's website.

The loss prevention team is also frequently asked by members and industry bodies to either attend or provide educational seminars in order to share the team's views on a variety of topical risk issues. In one example, the managers conducted an in-depth review of a member's navigation procedures under pilotage, including a number of navigation audits. Recommendations made as a result of the review were presented to the member and were very well received. In tandem with this project, the managers are developing guidelines for carrying out navigation audits in co-operation with the Nautical Institute.

The club's loss prevention efforts remain critical to its strategy and service to members, and the club's approach, resources and experience in this area are unique among IG clubs. The loss prevention team is continuously developing its tools and its personnel to enable it to meet the needs of the members it serves and the club it represents. The team welcomes direct discussion with members and would encourage any member with technical or risk-related queries to get in touch via their usual club contact.

Investments

In the year to 19 February 2016, the club's total investment assets returned minus 0.9%. The investment portfolio, which excludes the Standard House property, returned approximately minus 1.3%. The club's exposure to bonds made a positive return but this was offset by the impact of equity market weakness and the strength of the US dollar, which had a negative impact on the dollar value of the club's non-dollar investments.

As at 19 February 2016, the investment portfolio was allocated approximately as follows:

- Sovereign bonds including bills 41.9%.
- Corporate bonds 31.9%.
- Equities 12.9%.
- Alternatives 8.1%.
- Cash/FX forwards 5.2%.

The approximate currency allocation as at 19 February 2016 was:

- US and Canadian dollars 83.7%.
- European currencies (excluding sterling) 9.5%.
- Sterling 5.5%.
- Other currencies 1.3%.

The main changes in asset allocation over the year were an increased allocation to corporate bonds out of cash and a decreased allocation to non-dollar currencies. The overall investment policy remained conservative.

Solvency and capital management

Solvency II, the EU-wide European regulatory regime, came into force on 1 January 2016. The Solvency II regime applies to the club's subsidiary, The Standard Club Europe Ltd (Standard Europe); however, the Bermudian regulatory regime (under which the Standard group of clubs is regulated) will be deemed to be 'equivalent' to this regime.

A key requirement of the regulatory regimes that the Standard group of clubs operates under is to have a well-developed Own Risk and Solvency Assessment (ORSA) programme in place. The club has been developing this programme over recent years, and its ORSA is updated and reviewed annually by the board.

As part of the ORSA, the club makes use of its internal model to make assessments of its own capital needs as well as to inform important business planning issues, including setting the renewal pricing strategy, reinsurance purchasing and projecting the club's prospective result against which actual performance can be measured.

The ability of the club to make supplementary calls remains an important part of the resources available to meet its capital requirements. The Solvency II Framework Directive allows mutual insurers, such as the club, to have the right to make supplementary calls included as additional capital.

The board keeps the need to make supplementary calls under review when considering the overall financial resources available to the club and has decided that no supplementary call is currently needed for any of the open policy years, nor is any expected.
The board's strategic approach to capital has been referred to above in the free reserves section of the business review.

Industry issues

Sanctions

On 16 January 2016 (known as 'Implementation Day'), the EU and the US lifted their nuclear-related sanctions against Iran under the Joint Comprehensive Plan of Action (JCPOA). The sanctions that were lifted relate to the financial, banking, energy, petrochemical, shipping, shipbuilding and automotive sectors; Iran's port operators; Iran's trade in gold and other precious metals; trade with Iran in graphite, raw or semi-finished metals such as aluminium, steel and coal; software for integrating industrial processes; and the provision of insurance, reinsurance and underwriting services in respect of these activities. It has also resulted in the delisting of hundreds of Iranian individuals and entities previously designated by the EU and US as sanctioned entities. The JCPOA contains a 'snap-back' provision which permits the reimposition of EU and US sanctions against Iran in the event that it reneges on its nuclear-related commitments.

Only 'secondary' sanctions have been lifted, i.e. those that apply to conduct outside of US jurisdiction and that involve non-US persons. US 'primary' sanctions remain in place, which means that US persons continue to be prohibited from engaging in transactions involving Iran, i.e. exporting any goods, services or technology to Iran (unless the underlying transactions are exempt from regulation or are authorised by the US Office of Foreign Assets Control). US reinsurers under the International Group's (IG) reinsurance arrangements are subject to US primary sanctions and are therefore prohibited from responding to claims involving Iran.

The IG is currently engaged in discussions with the US State Department/US OFAC to persuade them to issue a licence that will allow the US-domiciled reinsurers participating on the IG reinsurance programme to respond to claims. While these discussions are ongoing and in order to find a short-term solution, the IG has obtained approval from US OFAC to arrange a 'fall-back' reinsurance. The fall-back reinsurance has now been arranged for the current policy year. It has a limit of cover of €100m with two reinstatements and will respond to reinsurance shortfalls that are not recoverable from US-domiciled reinsurers within the first and second layers, and/or the private placement and/or the Hydra reinsurance of the IG reinsurance programme as a result of the continuing application of US primary sanctions. The IG is continuing to engage with the US authorities to ensure that a long-term solution is in place to meet members' needs by the next policy year.

EU and/or US sanctions are still in place in respect of Cuba, North Korea, Syria, Crimea and Sudan.

The club implements various measures as part of its due diligence to minimise the risk of breaching sanctions. In particular, the club's sanctions rules include the automatic cessation of cover in respect of any ship employed in a trade exposing the club to the risk of sanctions. The club also screens parties with whom it has any dealings, including before the club provides security or makes any payment.

The UK Insurance Act 2015

The Insurance Act 2015 (the 2015 Act) comes into force on 12 August 2016 and changes the legislative framework for English insurance contract law to which the club's rules are expressly subject. While the 2015 Act does not repeal the Marine Insurance Act (MIA) 1906 of itself, it does repeal/replace large sections of the MIA to which the club's rules are, and have been for many years, subject.

The 2015 Act focuses on the following three main principles of English insurance contract law:

- the treatment of warranties – sections 9–11;
- disclosure obligations – sections 3–7; and
- fraudulent claims – sections 12–13.

During drafting, it was recognised that the 2015 Act might not be required in sophisticated markets, with the marine insurance sector named as one such market. Rather, it was anticipated that some insurers would contract out of (i.e. not apply) many of the Act's provisions. P&I is such a sophisticated insurance market, with well-established practices that benefit both members and the club.

As such, and after careful consideration, the eight clubs in the International Group affected by the 2015 Act, including The Standard Club, decided to contract out of certain aspects of the 2015 Act and changes have now been made to the 2016/17 policy year rule book. However, The Standard Club has retained the new duty to make a '*fair presentation of the risk*' under sections 3–7 of the 2015 Act to the benefit of its membership, as well as the treatment of fraudulent claims under section 12 of the 2015 Act. Full details can be found in the Standard Club circular on the subject.

Ballast Water Management Convention update

The IMO adopted the 'International Convention for the Control and Management of Ships' Ballast Water and Sediments' (BWMC) on 13 February 2004. As of 10 February 2016, 47 states representing 34.35% out of the requisite 35% of the world's merchant tonnage have ratified the BWMC. It is anticipated that its entry into force is imminent and shipowners should be prepared.

At this point, the IMO does not intend to delay the BWMC coming into force but may delay implementation of sanctions for non-compliance for a trial period of two to three years after entry into force. There are several concerns that persist regarding the BWMC. One of these concerns is in regard to what ballast water treatment technology to install. Over 50 systems have been type-approved and 36 have been granted IMO final approval. The IMO will not guarantee that equipment that is type-approved will be given final approval as it has not been possible to test the equipment for reliability in all water conditions. To address shipowners' concerns, the IMO has promised to review the guidelines governing the approval process.

Sampling and testing treated ballast water has also been an issue as it is difficult to obtain representative samples given the total volume of ballast water on board a ship. To address this, the IMO has adopted guidelines for Port State Control sampling and analysis, and recommends that port states refrain from imposing criminal sanctions on ships during the trial period following entry into force.

Despite the trial period of relaxed compliance after entry into force, these issues will need clarification soon to allow shipowners to comply with the convention. The managers will continue to keep members updated.

US ballast water issues

The USCG's 'Final Rule on the Standards for Living Organisms in Ships' Ballast Water Discharged in US Waters' was issued on 23 March 2012 and came into effect on 21 June 2012. The purpose of these regulations is to bring ballast water discharge standards in line with the IMO's standards. The regulations have been introduced via a phased-in schedule with three phases of implementation according to the ship's construction date and ballast water capacity. The final phase began on 1 January 2016.

The US ballast water management regulations allow the USCG to grant extensions to the compliance implementation schedule for up to five years from the ship's scheduled implementation date. Applications for extensions must be made at least 12 months before the ship's scheduled implementation date, and supplemental applications must be made at least 90 days prior to the end of the extension period.

Industry issues continued

In addition to the USCG ballast water management regulations, the Environmental Protection Agency (EPA) has issued its own ballast water discharge standards, which are similar, but not identical, to the USCG's final rule and came into effect on 19 December 2013. Since compliance with the USCG regulations is still impossible at this time, the EPA issued an 'Enforcement Response Policy' on 27 December 2013. In this guidance, the EPA stated that it would take a low enforcement priority approach. The EPA advised that ship operators must have received an extension from the USCG and must be in compliance with all other provisions of the 2013 policy. The EPA stated that it will consider the fact that there is no coastguard type-approved technology available when exercising enforcement. Significantly, the EPA explained that an extension granted by the USCG would not be considered binding on the EPA.

A number of US states, such as California, have also implemented additional ballast water management requirements that are even more stringent than those mandated by the USCG and the EPA.

In regard to the US requirements, members should ensure that they obtain an appropriate extension from the USCG or install an alternative management system, noting the risks associated with doing so.

Maritime Labour Convention: crew back wages

The Maritime Labour Convention (MLC) came into force on 20 August 2013 and has been ratified by more than 60 states. The Convention consolidates many previous International Labour Organization instruments and aims, as a result, to ensure seafarers are guaranteed equal and acceptable conditions aboard vessels, no matter which flag they sail under.

Currently, the MLC requires financial security to be in place for crew repatriation costs, including in circumstances of abandonment, and compensation for death or long-term disability due to an occupational injury, illness or hazard.

All clubs in the IG have incorporated provisions in their rules since the 2013/14 policy year, principally to extend cover to repatriation costs following abandonment. In addition, all flag states have until now accepted club certificates of entry as evidence of compliance with the financial security provisions of the MLC.

Amendments to the MLC have been approved and will come into force during 2017. These amendments include an entitlement for seafarers to receive four months' wages in the event of abandonment. In light of this, and following discussions between all 13 IG clubs, it has been positively indicated by those clubs that the scope of P&I cover will be extended to include unpaid wages in the event of abandonment. However, the clubs have also agreed that this liability will not be poolable and, as a consequence, enquiries are under way as to whether standalone reinsurance can be purchased to address this liability. Further discussions at IG level on this subject are therefore anticipated during the course of 2016.

Principal risks and uncertainties

How the club manages risk

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

All risks are evaluated to assess their probability and their potential impact. The club's management sets controls which are designed to ensure that the tolerances contained in the board's risk appetite are not exceeded and, where possible, puts in place arrangements or processes to mitigate the club's risks. Acting through its Risk Committee, the club's management regularly monitors the effectiveness of the Audit and risk management system, including the impact of changes in the club's risk profile and emerging risks. A risk register is maintained which records the risks and their values, impact, mitigation and controls. The club's internal model reflects the risks identified and is used to assess their potential impact and the capital required to cover them.

The risk and internal audit functions, which report to the Audit and Risk Committee, play an important role in ensuring that the club's risk management systems are functioning correctly.

Type of risk	Risk description	Management action
Underwriting risk		
Premium risk	The risk that premiums charged will not be sufficient to meet all associated claims and expenses, e.g. inappropriate underwriting or inadequate pricing, including: • the internal risks of underwriting inappropriate business or appropriate business in an inappropriate way or with incorrect pricing; and • the external risks of adverse insurance or reinsurance market movements and adverse trading conditions for the club's members.	• Premium risk is managed by: – clear underwriting controls, including risk assessment tools, pricing models and clear authority levels; – monitoring for undue concentrations of risk, acceptability of results and consistency with risk appetite; and – a dedicated loss prevention function, aimed at ensuring that the club underwrites only those shipowners who operate to an acceptable standard, as well as encouraging good risk management by members. • Premium risk is mitigated by appropriate reinsurance programmes, including the IG pooling and reinsurance programme, and also the club's own Non-Pool and retention reinsurance. • Reinsurance strategy is set by the board in line with the board's risk appetite and is designed to mitigate the insurance risk through programmes tailored to the club's exposures.
Reserve risk	The risk that claims reserves will be inadequate to cover known losses, and/or unknown or undeveloped losses, such as occupational diseases.	• Reserve risk is managed by: – prompt reserving of potential losses; – regular review of individual estimates and overall reserve adequacy, as well as regular, systematic claims audits and monitoring the performance of individual claims handlers, to ensure consistency of approach; and – modelling of technical provisions by the club's actuarial function.
Financial risk		
Credit risk	The risk of a loss occurring owing to the failure of a counterparty to meet its contractual debt obligations. Counterparties include members, reinsurers, other IG clubs, intermediaries, banks 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, ability to net overdue premium amounts against unpaid claims, and suspension or cancellation of cover; – investment rules and counterparty limits.

Principal risks and uncertainties continued

Type of risk	Risk description	Management action
Financial risk continued		
Market risk	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: (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; and (iii) to ensure there are ready funds to meet liabilities as they fall due. • 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 produce reasonable returns with acceptable volatility. The club is exposed to equity price fluctuation risk, but the investment rules limit equity exposure. • Currency of investment is matched to the profile of liabilities to which the club is exposed. The club 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. • Interest rate risk exposure is measured and controlled through regular consideration of the appropriate duration of the fixed interest part of the portfolio. • The investment asset and currency benchmarks are modified from time to time to reflect the board's reassessment of market risk appetite, as informed by their assessment of the investment markets as well as by risk appetite and regulatory considerations.
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 regularly reviews the time period required to liquidate the investment portfolio. • The likely cash outflows in relation to specific large claims are projected and kept under review. • Significant claim settlements through the IG Pool and reinsurance arrangements are subject to special settlement provisions that provide the club with access to funding for large claims that are subject to reinsurance recoveries.
Operational risk	The risk resulting from inadequate or failed internal processes, people and systems, or from external events.	• The club has identified its operational risks and has in place appropriate controls to manage and mitigate such risks, consistent with good 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 manage its day-to-day activities, appropriate controls are also in place to monitor the club's outsourcing of its operations.

Detailed risk disclosures for credit, market and liquidity risk are set out in note 15.2 to the financial statements, starting on page 54.

Corporate governance

Overview

The club comprises members from the international shipping community and seeks to follow good governance principles that would generally be recognised throughout world markets.

The club is principally regulated in Bermuda, with regulated operating insurance subsidiaries in the UK and Singapore, and the club has had particular regard for the requirements of these countries in arriving at its current practices.

Board responsibilities

The board's governance of the club is described in the board governance policies statement. This sets out, amongst other things, the board's role and matters reserved for the board, and the board's duties, composition and operation. The principal functions of the board include to:

- govern and direct the club's affairs;
- ensure that the club's objectives are being fulfilled;
- set overall strategy and key policies;
- set and review the club's risk appetite;
- oversee risk management and compliance issues;
- ensure that there is a suitable and clear allocation of responsibility between itself and the managers;
- satisfy itself that the managers have an appropriate structure for the management of the club;
- direct and supervise the managers and consider their reports on all significant aspects of the club's affairs; and
- ensure that there are suitable systems of control.

At each board meeting, the directors are provided with up-to-date reports on the key financial indicators for the club, and on risks, controls, underwriting, claims, investment and general policy issues. The directors are provided with board meeting papers in sufficient time before each board meeting to enable them to understand the relevant issues and to focus upon decisions that need to be made.

The board has delegated to the managers the implementation of the board's strategy and policies, and the management of the day-to-day operations of the club.

A formal management agreement between the club and the managers sets out their respective obligations and responsibilities. In addition, there is a service level agreement against which the board reviews the performance of the managers.

Board membership

The great majority of directors are non-executive and are not involved in the day-to-day executive management of the club. By virtue of the bye-laws, directors are, in the most part, owners or senior executives of member companies.

The chairman is responsible for the direction and effectiveness of the board and the oversight of the club's affairs and strategy. There are two deputy chairmen whose role is to assist the chairman in carrying out his role. The chairman and deputy chairmen are elected for a term of three years but may be re-elected for four further three-year terms.

The board also has the benefit of an insurance expert director and expert insurance and investment guidance from its managers and personnel within the managers' group, as well as access to additional independent insurance, and regulatory, financial and investment expertise as required.

A Bermudian resident director was appointed during the year with insurance and regulatory experience.

One-third of the directors must retire from office by rotation at each annual general meeting (AGM) and all directors appointed since the date of the last AGM must put themselves forward for re-election.

Directors who have held office for a period of nine years must offer themselves for annual re-election to the board. Directors must retire from the board at the next AGM if they are no longer eligible to be elected to the board according to the bye-laws.

Remuneration

Directors receive fees agreed by the club membership in the AGM (other than the fees of non-member directors, which are agreed by the board and which are appropriate to their non-executive status). In October 2015, following a review of the fees paid to the directors of other P&I clubs, and having regard to the increased responsibilities of board committee members, the board agreed to increase the level of fees payable to board committee members, subject to the agreement of members at the AGM. Resolutions in relation to the proposed fee increases are contained in the Notice of annual general meeting on page 66 of this report.

Corporate governance continued

Directors who are employed by the managers do not receive directors' fees. However, the performance-related elements of their remuneration are reviewed by the Charles Taylor Group's Remuneration Committee to ensure that they are stretching and designed to promote the long-term success of the business.

The club's administrative functions are undertaken by the managers, who receive a management fee for their services, which is agreed by the board annually. This follows a review by the Nomination and Governance Committee, which reports to the board, of the managers' budgets, performance and costs, including a comparison with other clubs based upon available data. The club's financial statements provide full disclosure of the management fees paid. The board is keen to encourage greater transparency of administration costs by P&I clubs generally, although this does not appear to be a high priority for some clubs.

Insurance and indemnity
The club maintains liability insurance for its directors and officers with a cover limit of £30m, which is renewed on an annual basis. The club also indemnifies its directors through its constitutional documents.

Committees of the board

The board's three main committees – Nomination and Governance, Audit and Risk, and Strategy – meet prior to each board meeting and each have written terms of reference which are available on the club's website.

Nomination and Governance Committee
The committee's main responsibilities include identifying suitable candidates for board membership and membership of board committees, reviewing the overall composition of the board, leading reviews of the board's effectiveness, and reviewing and making recommendations on the club's governance structure, policies and practices. During the year, the committee reviewed the make-up and balance of the skills on the board, as well as board attendance and potential candidates for board membership. The committee does not generally use the services of an external consultancy firm or open advertising for the appointment of non-executive directors, as board candidates are generally sought from the members. In addition, the committee reviewed the level of directors' and committee members' fees to assess whether they were reflective of the role and contribution expected from the directors and were consistent with fees paid by other P&I clubs.

The committee considered an assessment of the club's compliance with the European Insurance and Occupational Pensions Authority Guidelines on Systems of Governance, as a result of which several minor enhancements were made to the club's board policies and procedures.

The committee also reviews the board induction and training processes.

The committee leads the review of the managers' performance and, in this respect, during the year, reviewed their performance against the specific requirements of a service level agreement, as well as their remuneration.

The performance of the board, its committees and the chairman are reviewed annually. The Nomination and Governance Committee conducted an evaluation of the board's and committees' effectiveness in 2015 and considered the board and committees to be operating effectively.

Ensuring that members are satisfied with the club's performance and that they are receiving fair treatment from the club are high priorities for the board. A formal member survey was conducted in the summer of 2015. Additionally, informal regular monitoring of member satisfaction is carried out to gauge the members' views of the club and to identify any areas for improvement. The results of this monitoring process are reviewed by the Nomination and Governance Committee. In addition to this process, the managers aim to visit as many members as practically possible every year to ensure that they are aware of the club's strategy and operations, and to identify any areas for concern. A formal member survey will again be conducted during 2016.

On 13 May 2016, it was agreed, as a result of European regulatory requirements, that the joint Nomination and Governance Committee of The Standard Club and The Standard Club Europe Limited be split such that each board has its own Nomination and Governance Committee.

Audit and Risk Committee
The Audit and Risk Committee's role includes the review of the financial statements of the club, its financial regulatory returns, relations with and reports from the external and internal auditors, and oversight of the club's risk management and internal controls. During the year, the committee reviewed the annual report and gave consideration to the scope and nature of the year-end audit. It considered compliance with accounting standards, the independence and effectiveness of the external auditors, and the scope and extent of the non-audit services provided by them.

It received a direct report from the external auditors' engagement leader and challenged him on the audit report.

The committee reviewed the integrity and effectiveness of the club's financial controls, the operation and resources of the risk management, compliance and internal audit functions, and the risk management, compliance and internal audit reports. The club's principal risks and uncertainties, and the effectiveness of the company's risk management and internal controls systems, including whistleblowing arrangements, were reviewed by the committee and the board.

Rob Clarke stepped down as the chairman of the Audit and Risk Committee at the end of its meeting held on 12 May 2016. Marianne Sørensen was appointed as chairman with effect from 13 May 2016.

The Standard Club Ltd, as the parent company, is not itself directly subject to the European Solvency II regime, but takes a close interest in the subject, given that its principal insuring subsidiary is subject to it.

The committee monitored the capital requirements of the club, reviewed the progress of the report on the club's group Own Risk and Solvency Assessment, and reviewed the development of the club's internal model, including its inputs, assumptions, methodology, uses, sensitivities and outputs.

Strategy Committee
The committee's role includes considering and making recommendations to the board concerning the strategy to be adopted by the club; reviewing the performance of the club in meeting strategic objectives; reviewing the club's business environment; and considering new strategic initiatives, alliances and potential mergers.

During the year, the committee discussed new products and services, and the effective marketing of the aforesaid.

The committee reviewed the performance of The Standard Syndicate and Charles Taylor Managing Agency, and the underwriting and renewal strategy for 2016.

Corporate governance continued

The Chairman's Group

The Chairman's Group reviews the affairs of the club with the managers between board meetings and has met six times since the last report.

Risk management

Approach

The board, and its Audit and Risk Committee, set and review on a regular basis the club's risk appetite, the major business risks facing the club, their potential impact, and the systems to manage and mitigate those risks.

During the year, the board has continued to revise its risk appetite statement to provide guidance to the management. Detailed measures of the club's appetite for all key risks have been established, with key risk indicators reported at each board meeting.

The managers have a comprehensive risk management system, which provides an effective method of monitoring and controlling risks, and continuously assess business risks and the effectiveness of the control processes in place. The club's risk management processes and systems are designed to ensure that management and the club's business units regularly review the risks in the risk register to ensure that outstanding risk mitigation actions or controls are occurring in a timely manner and are properly followed up.

The club has developed a framework for identifying and managing those risks and their impact on economic capital. The risk management system and processes are linked into the club's internal model whose outputs assist in the management of the business as well as in the assessment of the capital required to reflect the financial impact of those business risks.

The principal risks facing the group and the risk mitigation actions, controls and processes by which they are managed have been explained previously in this report.

Maintenance of a sound system of internal controls

The board has satisfied itself, through a comprehensive review by the Audit and Risk Committee, that there are suitable and appropriate systems of control within the club's management, including a process for identifying, evaluating and managing the risks that the club faces, and that the controls operate effectively, including monitoring that the club operates within its risk appetite and complies with its regulatory responsibilities.

The club adopts the 'three lines of defence' system of internal control, supplementing operational management with risk management and compliance monitoring, and internal audit assurance, through regular reviews and tests of controls to ensure their adequacy. Risk management, compliance and internal audit report to every meeting of the board's Audit and Risk Committee.

Compliance

Compliance and regulation

The club's compliance and regulatory obligations are overseen by the Audit and Risk Committee. The board agrees the compliance monitoring plan, and the managers' compliance function submits reports to all meetings of the Audit and Risk Committee, including details of work carried out pursuant to the compliance monitoring plan and any issues arising therefrom, highlighting areas of particular compliance and regulatory concern. These include financial crime, sanctions, conflicts and fair treatment of members. The managers also report any incidents where controls have either failed or nearly failed, or where risks have crystalised or have come close to doing so.

Internal audit

An internal audit function operates within the club. The function is led by the head of internal audit, a senior Charles Taylor manager, who reports directly to the Audit and Risk Committee as well as to the Charles Taylor plc Audit Committee. The internal audit department is an independent unit within Charles Taylor and is not involved with the day-to-day management of the club.

The board has direct access to the head of internal audit, who attends all Audit and Risk Committee and board meetings in person. The head of internal audit has an 'in camera' session with the Audit and Risk Committee at each meeting. The internal audit reports submitted to each Audit and Risk Committee meeting summarise the audits undertaken and identify progress against the agreed audit timetable. Once a year, an assurance map is tabled for discussion. The internal audit terms of reference are also reviewed on an annual basis.

The three-year forward-looking audit plan and annual audit timetable are designed to be risk focused and to cover the full range of the club's operations. They reflect, amongst other things, the operational, financial and administrative aspects of the club's business, taking as their points of reference the internal procedures, the controls recorded in the risk register and any reported incidents. Some audits may be carried out by external consultants.

Key policies

Conflicts of interest
The board has considered the potential conflicts of interest that exist within the club's and the board's operations, and has adopted a conflicts of interest policy. A conflicts register is maintained, identifying potential conflicts of interest that could affect the club.

In a mutual organisation, the members are also the insured parties. Negotiations relating to any matter concerning members or directors in their capacity as insureds are conducted at arm's length. Directors do not participate in board discussions on specific matters concerning their companies as insureds.

Procedures are in place to ensure that potential conflicts of interest between the club and the managers, between the club's members, and between members and other clients of the managers' group are identified and managed.

Business and ethical values and treating customers fairly
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 managers have adopted a set of corporate values which are communicated to all staff regularly to ensure that their work on behalf of the club is carried out with integrity and fairness.

The board and the managers are committed to treating customers and all stakeholders fairly, and keep under review the quality of service that the club provides. There is a complaints system, which is published on the website.

Prevention of financial crime and whistleblowing
The managers have procedures to prevent the club being involved unwittingly in money laundering or inappropriate payments. They also have whistleblowing procedures in place to ensure that members of staff can raise matters of concern confidentially so that they may be appropriately investigated.

Sanctions compliance
The club is committed to ensuring that it complies with all applicable legislation relating to international sanctions, and has implemented internal procedures and an automated screening process to ensure compliance. The club also aims to ensure that members are kept up to date with relevant sanctions information to assist them in ensuring that they too are compliant and do not inadvertently breach sanctions.

Health and safety
The club strongly supports and encourages safe working practices on board the ships that it insures. The managers have a strong health and safety culture, and have adopted appropriate policies to ensure that the management of the club is carried out in a way that protects the health and safety of all those who work for the managers.

Business continuity
The managers have full business continuity contingency plans, which they periodically test, to ensure that the club can continue to operate in the event of a serious incident, such as, for example, a terrorist event. Business records and documentation are stored electronically, are regularly backed up and are accessible remotely. Continuity testing was carried out in April 2015, which confirmed that the business would be able to continue functioning, including all key processes, in the event of an incident, and further tests will be carried out in the forthcoming year.

Corporate governance continued

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 the club's business operations and to achieving best practice in areas in which these have an environmental impact. The managers have taken steps to reduce the club's carbon footprint and strive to minimise its energy consumption through its energy management policy and by encouraging staff to use energy thoughtfully. Where possible, the managers use energy-efficient business appliances, thereby giving rise to energy savings and a reduction in emissions.

Standard House, which accommodates the managers' London operations, incorporates a number of design and other initiatives to reduce that office's environmental impact and carbon footprint, and it is compliant with the Energy Savings Opportunity Scheme in the UK.

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 its environmental policy into practical guidelines to assist the implementation of good practice amongst its membership. It regularly audits members' ships and management to monitor compliance with environmental regulations, and to evaluate and encourage the implementation of good operating procedures. The club encourages its 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 acceptable standards of responsible operation.

Equality of opportunity and gender diversity
The managers have formal policies which aim to attract and retain a diverse and flexible workforce, and to promote equality of opportunity. As far as a board appointment is concerned, the board believes that appointment should be based on merit and overall suitability for the role. When considering succession planning, the Nomination and Governance Committee bears in mind the balance of skills, knowledge, experience and diversity existing on the board.

Directors' responsibilities

Statement of disclosure of information to auditors

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

- 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 2016 of which the auditors are unaware; and
- each director has taken all steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the club's auditors are aware of that information.

Directors' responsibilities

The following statement, which should be read in conjunction with the auditors' report as set out on page 31, is made with the view to distinguishing for members the respective responsibilities of the directors and auditors in relation to the financial statements.

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable laws and regulations in Bermuda. The directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102: 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and Financial Reporting Standard 103: 'Insurance Contracts' (FRS 103), both issued by the Financial Reporting Council and in compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) relating to insurance companies. The financial statements are required to give a true and fair view of the state of affairs of the group and parent company, and of the income or expenditure of the group and parent company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 group and parent company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the group and parent company, and enable them to ensure that the financial statements comply with applicable law and United Kingdom Accounting Standards. They are also responsible for safeguarding the assets of the parent company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. The maintenance and integrity of The Standard Club Ltd website is the responsibility of the managers; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Bermuda and 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 (Bermuda)
Company Secretary
13 May 2016

5 Independent auditors' report

Independent auditors' report to the members of The Standard Club Ltd

Report on the group financial statements

Our opinion

In our opinion, The Standard Club Ltd's group financial statements (the financial statements):

- give a true and fair view of the state of the group's affairs as at 20 February 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

What we have audited

The financial statements, included within the annual report and financial statements (the annual report), comprise:

- the consolidated balance sheet and club balance sheet as at 20 February 2016 year-end date;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland', and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the directors' responsibilities statement set out on page 29, 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) (ISAs (UK & 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 company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 group'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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants
London
13 May 2016

(a) The maintenance and integrity of The Standard Club Ltd website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
(b) Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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* Appendices I, II and III are unaudited.

6 Financial statements and other information

Consolidated statement of comprehensive income

for the year ended 20 February 2016

	Note	Total 2016 US$m	Total 2015 US$m	P&I and related 2016 US$m	P&I and related 2015 US$m	Syndicate 2016 US$m	Syndicate 2015 US$m
Technical account – general business							
Earned premiums, net of reinsurance							
Gross premiums earned including calls	4	**354.3**	354.0	**347.9**	354.0	**6.4**	–
Outward reinsurance premiums	5	**(90.1)**	(92.0)	**(88.6)**	(92.0)	**(1.5)**	–
Earned calls, net of reinsurance		**264.2**	262.0	**259.3**	262.0	**4.9**	–
Total income		**264.2**	262.0	**259.3**	262.0	**4.9**	–
Expenditure							
Claims paid	7	**339.6**	484.7	**339.1**	484.7	**0.5**	–
Reinsurers' share	8	**(139.3)**	(248.1)	**(139.3)**	(248.1)	**–**	–
Net claims paid		**200.3**	236.6	**199.8**	236.6	**0.5**	–
Change in provision for claims		**(25.0)**	17.3	**(28.7)**	17.3	**3.7**	–
Reinsurers' share		**31.6**	(20.1)	**31.8**	(20.1)	**(0.2)**	–
Change in net provision for claims		**6.6**	(2.8)	**3.1**	(2.8)	**3.5**	–
Claims incurred, net of reinsurance		**206.9**	233.8	**202.9**	233.8	**4.0**	–
Net operating expenses	9	**39.6**	28.6	**32.7**	28.6	**6.9**	–
Total expenditure		**246.5**	262.4	**235.6**	262.4	**10.9**	–
Balance on the technical account for general business		**17.7**	(0.4)	**23.7**	(0.4)	**(6.0)**	–
Non-technical account							
Balance on the technical account for general business		**17.7**	(0.4)	**23.7**	(0.4)	**(6.0)**	–
Investment return net of expenses and charges	6	**(5.2)**	22.9	**(5.2)**	22.9	**–**	–
Exchange (losses)/gains		**(3.0)**	(5.7)	**(3.1)**	(5.7)	**0.1**	–
Other charges including value adjustments		**(0.1)**	(2.5)	**(0.1)**	(2.5)	**–**	–
Share of operating loss of associate undertaking		**–**	(2.4)	**–**	(2.4)	**–**	–
Excess/(shortfall) of income over expenditure before taxation		**9.4**	11.9	**15.3**	11.9	**(5.9)**	–
Tax on excess of income over expenditure	10	**1.1**	(0.1)	**(0.1)**	(0.1)	**1.2**	–
Excess/(shortfall) of income over expenditure after tax		**10.5**	11.8	**15.2**	11.8	**(4.7)**	–
Excess/(shortfall) of income over expenditure for the financial year		**10.5**	11.8	**15.2**	11.8	**(4.7)**	–
Other comprehensive income:							
Currency translation movement		**(0.6)**	–	**(0.8)**	–	**0.2**	–
Other comprehensive (expenses)/income net of tax		**(0.6)**	–	**(0.8)**	–	**0.2**	–
Total comprehensive income/(expenses) for the year transferred to contingency reserve		**9.9**	11.8	**14.4**	11.8	**(4.5)**	–

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

Income of the club for the year is $15.4m (2015: $(3.7m)).

The notes on pages 38 to 62 form part of the financial statements.

Consolidated balance sheet

as at 20 February 2016

	Note	Total 2016 US$m	Total 2015 US$m	P&I and related 2016 US$m	P&I and related 2015 US$m	Syndicate 2016 US$m	Syndicate 2015 US$m
Assets							
Investments							
Investment property	12	**33.3**	30.8	**33.3**	30.8	**–**	–
Investment in associate undertaking	18	**1.1**	1.1	**1.1**	1.1	**–**	–
Other financial investments	14	**749.3**	771.9	**749.1**	771.9	**0.2**	–
Reinsurers' share of technical provisions							
Claims outstanding	13	**393.3**	424.2	**393.1**	424.2	**0.2**	–
Provision for unearned premiums		**0.6**	1.9	**0.6**	1.9	**–**	–
		393.9	426.1	**393.7**	426.1	**0.2**	–
Debtors							
Debtors arising out of direct insurance operations	19	**104.5**	104.8	**93.2**	104.8	**11.3**	–
Other debtors		**12.6**	15.0	**12.6**	–	**–**	–
		117.1	119.8	**105.8**	119.8	**11.3**	–
Other assets							
Intangible assets	17	**0.3**	1.0	**0.3**	1.0	**–**	–
Tangible assets	16	**3.3**	3.9	**3.3**	3.9	**–**	–
Cash at bank and in hand		**114.8**	84.6	**113.4**	84.6	**1.4**	–
Deferred tax asset	11	**1.1**	–	**–**	–	**1.1**	–
		119.5	89.5	**117.0**	89.5	**2.5**	–
Prepayments and accrued income		**12.2**	10.4	**9.1**	10.4	**3.1**	–
Total assets		**1,426.4**	1,449.6	**1,409.1**	1,449.6	**17.3**	–
Liabilities							
Reserves							
Statutory reserve		**0.2**	0.2	**0.2**	0.2	**–**	–
Contingency reserve		**389.9**	380.1	**394.5**	380.1	**(4.6)**	–
		390.1	380.3	**394.7**	380.3	**(4.6)**	–
Technical provisions							
Gross claims outstanding	13	**976.0**	1,000.4	**972.3**	1,000.4	**3.7**	–
Provision for unearned premiums		**13.8**	2.3	**0.7**	2.3	**13.1**	–
		989.8	1,002.7	**973.0**	1,002.7	**16.8**	–
Provisions for other risks and charges							
Deferred tax provisions	11	**–**	–	**–**	–	**–**	–
Creditors							
Creditors arising out of direct insurance operations		**33.4**	42.9	**32.9**	42.9	**0.5**	–
Other creditors including taxation and social security	20	**11.1**	23.2	**10.6**	23.2	**0.5**	–
Current account between classes		**–**	–	**(3.7)**	–	**3.7**	–
		44.5	66.1	**39.8**	66.1	**4.7**	–
Accruals and deferred income		**2.0**	0.5	**1.6**	0.5	**0.4**	–
Total liabilities		**1,426.4**	1,449.6	**1,409.1**	1,449.6	**17.3**	–

The financial statements were approved by the board of directors on 13 May 2016 and were signed on its behalf by:

R Jones
Chairman

Club balance sheet

as at 20 February 2016

	Note	Total		P&I and related		Syndicate	
		2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Assets							
Investments							
Investments in group and associate undertakings	18	**12.1**	13.5	**12.1**	13.5	**–**	–
Other financial investments		**–**	–	**–**	–	**–**	–
		12.1	13.5	**12.1**	13.5	**–**	–
Debtors							
Amounts owed by group undertakings		**22.1**	0.1	**22.1**	0.1	**–**	–
Other debtors		**8.2**	12.0	**8.2**	12.0	**–**	–
		30.3	12.1	**30.3**	12.1	**–**	–
Other assets							
Cash at bank and in hand		**0.4**	0.4	**0.4**	0.4	**–**	–
Prepayments and accrued income		**0.1**	0.1	**0.1**	0.1	**–**	–
Total assets		**42.9**	26.1	**42.9**	26.1	**–**	–
Liabilities							
Reserves							
Statutory reserve		**0.2**	0.2	**0.2**	0.2	**–**	–
Contingency reserve		**20.5**	5.1	**20.5**	5.1	**–**	–
		20.7	5.3	**20.7**	5.3	**–**	–
Creditors							
Amounts owed to group undertakings		**22.0**	20.6	**22.0**	20.6	**–**	–
Accruals and deferred income		**0.2**	0.2	**0.2**	0.2	**–**	–
Total liabilities		**42.9**	26.1	**42.9**	26.1	**–**	–

The financial statements were approved by the board of directors on 13 May 2016 and were signed on its behalf by:

R Jones
Chairman

The notes on pages 38 to 62 form part of the financial statements.

Statement of changes in reserves

for the year ended 20 February 2016

Consolidated	Total			P&I and related			Syndicate		
	Statutory reserve US$m	Contingency reserve US$m	Total reserves US$m	Statutory reserve US$m	Contingency reserve US$m	Total reserves US$m	Statutory reserve US$m	Contingency reserve US$m	Total reserves US$m
Balance as at 20 February 2014	0.2	368.3	368.5	0.2	368.3	368.5	–	–	–
Excess/(shortfall) of income over expenditure for the financial year	–	11.8	11.8	–	11.8	11.8	–	–	–
Other comprehensive expenses net of tax	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year transferred to the contingency reserve	–	11.8	11.8	–	11.8	11.8	–	–	–
Balance as at 20 February 2015	0.2	380.1	380.3	0.2	380.1	380.3	–	–	–
Balance as at 20 February 2015	**0.2**	**380.1**	**380.3**	**0.2**	**380.1**	**380.3**	**–**	**–**	**–**
Excess/(shortfall) of income over expenditure for the financial year	**–**	**10.5**	**10.5**	**–**	**15.2**	**15.2**	**–**	**(4.7)**	**(4.7)**
Other comprehensive (expenses)/income net of tax	**–**	**(0.6)**	**(0.6)**	**–**	**(0.8)**	**(0.8)**	**–**	**0.2**	**0.2**
Total comprehensive income for the year transferred to the contingency reserve	**–**	**9.9**	**9.9**	**–**	**14.4**	**14.4**	**–**	**(4.5)**	**(4.5)**
Members' agents' fees	**–**	**(0.1)**	**(0.1)**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Balance as at 20 February 2016	**0.2**	**389.9**	**390.1**	**0.2**	**394.5**	**394.7**	**–**	**(4.6)**	**(4.6)**

Club	Total			P&I and related			Syndicate		
	Statutory reserve US$m	Contingency reserve US$m	Total reserves US$m	Statutory reserve US$m	Contingency reserve US$m	Total reserves US$m	Statutory reserve US$m	Contingency reserve US$m	Total reserves US$m
Balance as at 20 February 2014	0.2	8.8	9.0	0.2	8.8	9.0	–	–	–
Excess/(shortfall) of income over expenditure for the financial year	–	(3.7)	(3.7)	–	(3.7)	(3.7)	–	–	–
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive expenses for the year	–	(3.7)	(3.7)	–	(3.7)	(3.7)	–	–	–
Balance as at 20 February 2015	0.2	5.1	5.3	0.2	5.1	5.3	–	–	–
Balance as at 20 February 2015	**0.2**	**5.1**	**5.3**	**0.2**	**5.1**	**5.3**	**–**	**–**	**–**
Excess/(shortfall) of income over expenditure for the financial year	**–**	**15.4**	**15.4**	**–**	**15.4**	**15.4**	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance as at 20 February 2016	**0.2**	**20.5**	**20.7**	**0.2**	**20.5**	**20.7**	**–**	**–**	**–**

Consolidated cash flow statement
for the year ended 20 February 2016

	Note	Total		P&I and related		Syndicate	
		2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Net cash generated from operating activities	21	**32.0**	4.0	**30.3**	4.0	**1.7**	–
Interest received		**–**	–	**–**	–	**–**	–
Taxation paid		**0.3**	(0.3)	**0.3**	(0.3)	**–**	–
Net cash generated from operating activities		**32.3**	3.7	**30.6**	3.7	**1.7**	–
Cash flow used in investing activities							
Investment in associate undertaking		**–**	1.1	**–**	1.1	**–**	–
Disposal of subsidiary		**1.2**	–	**1.2**	–	**–**	–
Purchase of investments		**(1,023.8)**	(779.5)	**(1,023.8)**	(779.5)	**–**	–
Sale of investments		**1,020.2**	740.3	**1,020.2**	740.3	**–**	–
Net cash used in investing activities		**(2.4)**	(38.1)	**(2.4)**	(38.1)	**–**	–
Net increase/(decrease) in cash and cash equivalents		**29.9**	(34.4)	**28.2**	(34.4)	**1.7**	–
Effect of exchange rate fluctuations on cash and cash equivalents		**0.5**	(0.9)	**0.6**	(0.9)	**(0.1)**	–
Cash and cash equivalents at the beginning of the year		**84.6**	119.9	**84.6**	119.9	**–**	–
Cash and cash equivalents at the end of the year		**115.0**	84.6	**113.4**	84.6	**1.6**	–
Cash and cash equivalents consist of:							
Cash at bank and in hand		**114.8**	84.6	**113.4**	84.6	**1.4**	–
Short-term deposits presented in other financial investments		**0.2**	–	**–**	–	**0.2**	–
Cash and cash equivalent sat the end of the year		**115.0**	84.6	**113.4**	84.6	**1.6**	–

The notes on pages 38 to 62 form part of the financial statements.

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. The address of its registered office is Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM 12, Bermuda.

2. Accounting policies

(a) Basis of preparation

These group financial statements, which consolidate the financial statements of the club and its subsidiary undertakings, have been prepared under the Bermuda Companies Act 1981, and also under the provisions of Schedule 3 to the UK Companies Act 2006. The club and its subsidiary undertakings have applied uniform accounting policies and, on consolidation, all intra group transactions, income and expenditure have been eliminated. The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103).

The club has not prepared an income and expenditure account under the exemption in Section 408 of the UK Companies Act 2006. The financial statements have been prepared under the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance groups.

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

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 club has utilised the exemption in Section 408 of the Companies Act 2006 and, as a result, does not present its individual income and expenditure statement account and the related notes that would have formed part of the financial statements.

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

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

(b) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the group's key sources of estimation uncertainty:

Insurance contract technical provisions

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR), at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and, for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and the Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported at the balance sheet date based on statistical methods.

2. Accounting policies continued

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk, and model inputs such as estimated future cash flows based on management's best estimates and discount rates.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country-specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, and financial conditions or counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Basis of consolidation

The consolidated financial statements include the financial information of the club and its subsidiary undertakings and are consolidated on an acquisition basis.

Inter-company transactions, balances and unrealised gains on transactions between companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

An undertaking is regarded as a subsidiary undertaking if the club has control over its operating and financial policies, generally determined by the ownership of more than 50% of the voting stock of the investee.

Associated undertakings are companies other than subsidiary undertakings in which the club holds 20% or more of the equity share capital for the long term and over which the club exercises significant influence. Associated undertakings are accounted for using the equity method of accounting.

Uniform accounting policies are applied to all subsidiary undertakings.

The Standard Club Corporate Name Ltd, a subsidiary company, operates as a corporate member of The Standard Syndicate at Lloyd's and therefore follows the syndicate's financial year-end date of 31 December.

Notes to the financial statements continued

2. Accounting policies continued

(d) 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 of the rules of the club, 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.

(e) 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.

(f) Unearned premiums
Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

(g) 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.

(h) 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 income and expenditure account 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.

(i) 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 is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the club. The club takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. An allowance for future claims handling costs is included in the provision.

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

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

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

2. Accounting policies continued

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

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

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

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

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

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

(j) Reinsurance premiums

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

(k) 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.

(l) Financial instruments

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

Financial assets at fair value through income

The club classifies its investments as financial assets at fair value through income. As a result, gains and losses are taken to the 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 remeasured at fair value. The club does not engage in hedge accounting and changes in the fair value of all derivative investments are recognised immediately in the income and expenditure account.

Notes to the financial statements continued

2. Accounting policies continued

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.

Investments in subsidiaries

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 the fair value less cost to sell, as appropriate.

Investments in associates

Investments in associates are held at cost less accumulated impairment losses.

(m) Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date. Full valuations are made by independent, professionally qualified valuers in the year of acquisition, and thereafter once every five years. In the intervening years, these valuations are updated by the directors with the assistance of independent professional advice as required. In accordance with FRS 102, no depreciation or amortisation is provided in respect of investment properties.

Rental income from operating leases and initial direct costs are recognised on a straight-line basis over the term of the relevant lease.

(n) Intangible assets

Intangible assets are stated at historic purchase cost less accumulated amortisation.

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 10-year period following installation on a straight-line basis.

(o) Tangible assets

Tangible assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Furniture, fixtures and fittings are written off over a 15-year period following purchase on a straight-line basis.

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.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'other (charges)/income including value adjustments'.

(p) Foreign currencies

The group and club financial statements are presented in US dollars and rounded to millions.

The functional currency of the group and club is the US dollar, with the exception of the following companies whose functional currency is pound sterling.

- The Standard Club Corporate Name Limited
- Standard House Limited

2. Accounting policies continued

The results and financial position of companies whose functional currency is pound sterling are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at the average rate of exchange during the year; and
- all resulting exchange differences are recognised in other comprehensive income.

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 holdings of those currencies. The open contracts have been revalued at year-end rates of exchange and the potential profit or loss included in the non-technical account.

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

(r) 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. Segmental analysis by class

The primary financial statements are reported by P&I and related covers, and the club's share of The Standard Syndicate.

P&I and related covers fall under the direct insurance category of Marine, Aviation and Transport Insurance. The P&I and related covers are segmented by class as follows:

3.1 Consolidated income and expenditure account

		P&I and related		Class 1 – P&I		Class 2 – Defence		Class 3 – London		Class 4 – War	
	Note	2016 US$m	2015 US$m	2016 US$m	2015 US$m	2016 US$m	2015 US$m	2016 US$m	2015 US$m	2016 US$m	2015 US$m
Technical account – general business											
Earned premiums, net of reinsurance											
Gross premiums earned including calls	4	**347.9**	354.0	**322.9**	329.3	**13.4**	13.7	**9.6**	10.4	**2.0**	0.6
Outward reinsurance premiums	5	**(88.6)**	(92.0)	**(85.1)**	(89.7)	**–**	–	**(1.7)**	(1.9)	**(1.8)**	(0.4)
Earned calls, net of reinsurance		**259.3**	262.0	**237.8**	239.6	**13.4**	13.7	**7.9**	8.5	**0.2**	0.2
Expenditure											
Gross claims incurred		**310.4**	502.0	**300.5**	493.0	**5.2**	0.8	**4.7**	8.2	**–**	–
Reinsurers' share		**(107.5)**	(268.2)	**(108.6)**	(265.9)	**0.4**	(0.8)	**0.7**	(1.5)	**–**	–
Claims incurred, net of reinsurance		**202.9**	233.8	**191.9**	227.1	**5.6**	–	**5.4**	7.6	**–**	–
Net operating expenses	9	**32.7**	28.6	**29.6**	25.8	**0.7**	0.6	**2.1**	2.0	**0.3**	0.2
Total expenditure		**235.6**	262.4	**221.5**	252.9	**6.3**	0.6	**7.5**	8.7	**0.3**	0.2
Balance on the technical account for general business		**23.7**	(0.4)	**16.3**	(13.3)	**7.1**	13.1	**0.4**	(0.2)	**(0.1)**	–

		P&I and related		Class 1 – P&I		Class 2 – Defence		Class 3 – London		Class 4 – War	
	Note	2016 US$m	2015 US$m	2016 US$m	2015 US$m	2016 US$m	2015 US$m	2016 US$m	2015 US$m	2016 US$m	2015 US$m
Non-technical account											
Balance on the technical account for general business		**23.7**	(0.4)	**16.3**	(13.3)	**7.1**	13.1	**0.4**	(0.2)	**(0.1)**	–
Investment return net of expenses and charges	6	**(5.2)**	22.9	**(5.8)**	17.7	**(1.0)**	1.0	**1.4**	4.3	**0.2**	(0.1)
Exchange (losses)/gains		**(3.1)**	(5.7)	**(0.8)**	(0.7)	**(0.1)**	(0.1)	**(2.2)**	(4.9)	**–**	–
Other income/(charges) including value adjustments		**(0.1)**	(2.5)	**–**	(2.5)	**–**	–	**–**	–	**(0.1)**	–
Share of operating loss of associate undertaking		**–**	(2.4)	**–**	(2.4)	**–**	–	**–**	–	**–**	–
Excess/(shortfall) of income over expenditure before taxation		**15.3**	11.9	**9.7**	(1.2)	**6.0**	14.0	**(0.4)**	(0.8)	**–**	(0.1)
Tax on excess of income over expenditure	10	**(0.1)**	(0.1)	**(0.1)**	(0.1)	**–**	–	**–**	–	**–**	–
Excess/(shortfall) of income over expenditure for the financial year		**15.2**	11.8	**9.6**	(1.3)	**6.0**	14.0	**(0.4)**	(0.8)	**–**	(0.1)
Other comprehensive income net of tax		**(0.8)**	–	**(0.8)**	–	**–**	–	**–**	–	**–**	–
Total comprehensive income for the year transferred to contingency reserve		**14.4**	11.8	**8.8**	(1.3)	**6.0**	14.0	**(0.4)**	(0.8)	**–**	(0.1)

3. Segmental analysis by class continued

3.2 Consolidated balance sheet

	P&I and related		Class 1 – P&I		Class 2 – Defence		Class 3 – London		Class 4 – War	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Assets										
Investments	**783.5**	803.8	**683.7**	715.1	**54.9**	40.0	**34.1**	38.0	**10.8**	10.7
Reinsurers' share of technical provisions	**393.7**	426.1	**393.4**	425.3	**0.2**	0.6	**0.1**	0.2	**–**	–
Debtors	**105.8**	119.8	**100.7**	116.8	**2.2**	2.4	**1.1**	0.6	**1.8**	–
Other assets	**117.0**	89.5	**107.7**	79.6	**6.9**	8.1	**2.0**	1.5	**0.4**	0.3
Prepayments and accrued income	**9.1**	10.4	**8.1**	9.6	**0.8**	0.7	**0.1**	0.1	**0.1**	–
Total assets	**1,409.1**	1,449.6	**1,293.6**	1,346.4	**65.0**	51.8	**37.4**	40.4	**13.1**	11.0
Liabilities										
Reserves	**394.7**	380.3	**307.4**	298.6	**49.6**	43.6	**27.0**	27.4	**10.7**	10.7
Technical provisions	**973.0**	1,002.7	**953.7**	980.8	**12.0**	12.9	**7.3**	9.0	**–**	–
Creditors	**39.8**	66.1	**31.1**	66.5	**3.3**	(4.7)	**3.1**	4.0	**2.3**	0.3
Accruals and deferred income	**1.6**	0.5	**1.4**	0.5	**0.1**	–	**–**	–	**0.1**	–
Total liabilities	**1,409.1**	1,449.6	**1,293.6**	1,346.4	**65.0**	51.8	**37.4**	40.4	**13.1**	11.0

4. Gross premiums earned including calls

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Estimated total premium, other premiums and releases 2015/16 (2014/15)	**366.7**	354.1	**346.9**	354.1	**19.8**	–
Adjustments to previous policy years	**(0.6)**	2.2	**(0.6)**	2.2	**–**	–
Change in the gross provision for unearned premiums	**(11.8)**	(2.3)	**1.6**	(2.3)	**(13.4)**	–
Total calls and premiums	**354.3**	354.0	**347.9**	354.0	**6.4**	–

5. Outward reinsurance premiums

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
International Group excess of loss	**45.0**	46.8	**45.0**	46.8	**–**	–
Adjustment to prior years	**(0.2)**	(2.5)	**(0.2)**	(2.5)	**–**	–
Other premiums	**44.0**	49.9	**42.5**	49.9	**1.5**	–
Adjustment to prior years	**–**	(0.3)	**–**	(0.3)	**–**	–
Change in the provision for unearned premiums, reinsurers' share	**1.3**	(1.9)	**1.3**	(1.9)	**–**	–
Reinsurance premiums paid	**90.1**	92.0	**88.6**	92.0	**1.5**	–

Notes to the financial statements continued

6. Investment return

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Investment income						
Shares and other variable-yield securities and unit trusts	**5.3**	4.0	**5.3**	4.0	**–**	–
Debt securities and other fixed-income securities	**11.6**	11.8	**11.6**	11.8	**–**	–
Deposit interest	**1.1**	0.3	**1.1**	0.3	**–**	–
Income from investment property	**1.9**	1.7	**1.9**	1.7	**–**	–
Gains arising on realisation of investments	**39.6**	31.5	**39.6**	31.5	**–**	–
	59.5	49.3	**59.5**	49.3	**–**	–
Investment expenses and charges						
Investment management expenses	**(4.0)**	(4.0)	**(4.0)**	(4.0)	**–**	–
Losses on realisation of investments	**(29.6)**	(12.0)	**(29.6)**	(12.0)	**–**	–
	(33.6)	(16.0)	**(33.6)**	(16.0)	**–**	–
Unrealised gains on investments	**34.0**	34.8	**34.0**	34.8	**–**	–
Unrealised losses on investments	**(65.1)**	(45.2)	**(65.1)**	(45.2)	**–**	–
	(31.1)	(10.4)	**(31.1)**	(10.4)	**–**	–
Total investment return	**(5.2)**	22.9	**(5.2)**	22.9	**–**	–

7. Claims paid

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Members' claims	**324.1**	456.3	**324.1**	456.3	**–**	–
Other P&I clubs' Pool claims	**15.0**	28.4	**15.0**	28.4	**–**	–
Syndicate claims	**0.5**	–	**–**	–	**0.5**	–
Gross claims paid	**339.6**	484.7	**339.1**	484.7	**0.5**	–

8. Reinsurers' share of claims paid

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Claims recoverable from group GXL reinsurers	**(54.6)**	(186.0)	**(54.6)**	(186.0)	**–**	–
Claims recoverable from other reinsurers	**(11.0)**	(10.0)	**(11.0)**	(10.0)	**–**	–
Claims recoverable from the Pool	**(73.7)**	(52.1)	**(73.7)**	(52.1)	**–**	–
Reinsurers' share of claims paid	**(139.3)**	(248.1)	**(139.3)**	(248.1)	**–**	–

9. Net operating expenses

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Acquisition costs						
Management fee	**9.3**	10.2	**9.3**	10.2	**–**	–
General expenses	**6.8**	2.4	**2.4**	2.4	**4.4**	–
Change in deferred acquisition costs	**(2.9)**	–	**–**	–	**(2.9)**	–
Administrative expenses						
Management fee	**9.1**	9.2	**9.1**	9.2	**–**	–
General expenses	**13.8**	3.3	**8.4**	3.3	**5.4**	–
Depreciation	**1.1**	1.1	**1.1**	1.1	**–**	–
Safety and loss control	**1.3**	1.2	**1.3**	1.2	**–**	–
Directors' fees	**0.8**	0.9	**0.8**	0.9	**–**	–
Auditors' remuneration for audit services	**0.2**	0.2	**0.2**	0.2	**–**	–
Auditors' remuneration for other services	**0.1**	0.1	**0.1**	0.1	**–**	–
Net operating expenses	**39.6**	28.6	**32.7**	28.6	**6.9**	–

The highest paid director received a director's fee of US$120,000 during the year (2015: US$128,000). Directors are paid a flat fee with additional attendance fees.

The club has no employees.

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

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Audit services						
Fees payable to the club's auditors for the audit of the parent company and consolidated accounts	**0.1**	0.1	**0.1**	0.1	**–**	–
The audit of the club's subsidiaries, pursuant to legislation	**0.1**	0.1	**0.1**	0.1	**–**	–
Other services						
Fees payable to the club's auditors and its associates for other services pursuant to legislation, including the audit of the regulatory return	**0.1**	0.1	**0.1**	0.1	**–**	–
	0.3	0.3	**0.3**	0.3	**–**	–

Fees payable to the club's auditors for tax services were US$22,000 (2015: US$20,000).

Notes to the financial statements continued

10. Tax on excess of income over expenditure

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Analysis of charge in the year						
Current UK corporation tax on taxable investment profits	**0.1**	0.1	**0.1**	0.1	**–**	–
Adjustments in respect of prior years	**–**	–	**–**	–	**–**	–
Total current tax	**0.1**	0.1	**0.1**	0.1	**–**	–
Deferred tax						
Origination and reversal of timing differences	**(1.2)**	–	**–**	–	**(1.2)**	–
Total deferred tax (note 11)	**(1.2)**	–	**–**	–	**(1.2)**	–
Tax on excess of income over expenditure	**(1.1)**	0.1	**0.1**	0.1	**(1.2)**	–

Factors affecting tax charge for the year
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (20%). The differences are explained below:

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Excess/(shortfall) of income over expenditure before taxation	**9.4**	11.9	**15.3**	11.9	**(5.9)**	–
Multiplied by the standard rate of tax at 20% (2015: 21%)	**2.0**	2.4	**3.2**	2.4	**(1.2)**	–
Expenses/(income) not assessable for tax purposes	**(1.9)**	(2.3)	**(3.1)**	(2.3)	**1.2**	–
Unrealised gains spread for tax purposes	**–**	–	**–**	–	**–**	–
Tax losses carried forward	**–**	–	**–**	–	**–**	–
Tax losses utilised	**–**	–	**–**	–	**–**	–
Adjustments in respect of prior years	**–**	–	**–**	–	**–**	–
Current tax charge for the year	**0.1**	0.1	**0.1**	0.1	**–**	–

The club is subject to corporation tax in the jurisdictions in which it does business, except in Bermuda, where there is no corporation tax. In the UK, corporation tax is limited to investment income owing to the mutual status of the club.

Factors affecting current and future tax charges
There are no factors affecting current and future tax charges.

11. Deferred tax asset

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Group						
Deferred tax asset relating to:						
Untaxed profits on syndicate results	**1.1**	–	**–**	–	**1.1**	–
Other timing differences	**–**	–	**–**	–	**–**	–
Deferred tax asset based on effective tax rate of 20%	**1.1**	–	**–**	–	**1.1**	–
Recognised deferred tax asset at 20 February 2015 (2014)	**–**	–	**–**	–	**–**	–
Recognised deferred tax movement for the year in the income and expenditure account	**1.1**	–	**–**	–	**1.1**	–
Recognised deferred tax asset at 20 February 2016 (2015)	**1.1**	–	**–**	–	**1.1**	–

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 or liability has been recognised.

Deferred tax of $1.1m relating to The Standard Syndicate result has been recognised based on an effective tax rate of 20%.

12. Investment property

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Group						
Net book value at 20 February 2015 (2014)	**30.8**	31.5	**30.8**	31.5	**–**	–
Revaluation (deficit)/surplus	**2.5**	(0.7)	**2.5**	(0.7)	**–**	–
Net book value at 20 February 2016 (2015)	**33.3**	30.8	**33.3**	30.8	**–**	–

Investment property is comprised of the club's freehold premises at Essex Street, London. The property was acquired on 20 May 2008 and the initial cost was £19.8m. The property was valued at 20 February 2016 by the directors at £23.0m (2015: £20.0m). The valuation was based on the current annual rent and yield of 4.63%. Any surplus or deficit on revaluation of the property or arising as a result of exchange adjustments is taken to the income and expenditure account.

Income earned by the group from the investment property, all of which is leased out under operating lease, amounted to $1.8m (2015: $1.9m) as disclosed in note 6. The income consists of annual rent of $1.6m and an annual reimbursement charge for furniture and fixtures of $0.2m. The lease period is from 1 February 2010 to 31 December 2024.

At the balance sheet date, the group had contracted with the lessee for the following future minimum lease payments:

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Group						
Within one year	**1.8**	1.9	**1.8**	1.9	**–**	–
In second to fifth years inclusive	**7.1**	7.6	**7.1**	7.6	**–**	–
After five years	**6.9**	9.2	**6.9**	9.2	**–**	–
	15.8	18.7	**15.8**	18.7	**–**	–

Notes to the financial statements continued

13. Claims outstanding

The board closed the 2013/14 policy year at its meeting on 13 May 2016. The table below provides the position after closure.

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Open years						
Claims – own	**324.1**	436.1	**320.4**	436.1	**3.7**	–
Claims – Pool	**51.0**	43.2	**51.0**	43.2	**–**	–
Reinsurance recoveries – Pool	**(76.6)**	(129.7)	**(76.6)**	(129.7)	**–**	–
Reinsurance recoveries – GXL and other	**(20.5)**	(36.5)	**(20.3)**	(36.5)	**(0.2)**	–
Net claims provision for open years	**278.0**	313.1	**274.5**	313.1	**3.5**	–
Closed years						
Claims – own	**542.4**	470.9	**542.4**	470.9	**–**	–
Claims – Pool	**58.5**	50.2	**58.5**	50.2	**–**	–
Reinsurance recoveries – Pool	**(60.8)**	(10.2)	**(60.8)**	(10.2)	**–**	–
Reinsurance recoveries – GXL and other	**(235.4)**	(247.8)	**(235.4)**	(247.8)	**–**	–
Net claims provision for closed years	**304.7**	263.1	**304.7**	263.1	**–**	–
Total						
Claims – own	**866.5**	907.0	**862.8**	907.0	**3.7**	–
Claims – Pool	**109.5**	93.4	**109.5**	93.4	**–**	–
Gross outstanding claims	**976.0**	1,000.4	**972.3**	1,000.4	**3.7**	–
Reinsurance recoveries – Pool	**(137.4)**	(139.9)	**(137.4)**	(139.9)	**–**	–
Reinsurance recoveries – GXL and other	**(255.9)**	(284.3)	**(255.7)**	(284.3)	**(0.2)**	–
Reinsurance recoveries – total	**393.3**	424.2	**393.1**	424.2	**0.2**	–
Net claims provision	**582.7**	576.2	**579.2**	576.2	**3.5**	–

Claims outstanding includes provision for IBNR claims which is set by reference to, amongst other factors, standard actuarial techniques and projections. Also included in the provision is an estimate for the internal and external costs of handling the outstanding claims.

13.1 Movement in prior years' provision for claims outstanding

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Improvement in respect of prior years	**47.2**	17.9	**47.2**	17.9	**–**	–

13. Claims outstanding continued

13.2 Development claim tables

Claims outstanding (gross)

Policy year	2006/07 US$m	2007/08 US$m	2008/09 US$m	2009/10 US$m	2010/11 US$m	2011/12 US$m	2012/13 US$m	2013/14 US$m	2014/15 US$m	2015/16 US$m	Total US$m
Estimate of ultimate claims costs:											
– at end of policy year	193.3	185.7	179.3	250.4	299.2	446.7	343.0	373.7	353.7	332.2	2,957.2
– one year later	191.8	154.6	214.0	240.1	340.7	651.8	320.9	403.0	304.1		2,821.0
– two years later	181.9	155.6	195.2	224.8	334.3	824.6	308.9	433.7			2,659.0
– three years later	187.2	153.0	187.7	213.1	321.7	972.0	306.1				2,340.8
– four years later	183.0	151.1	186.9	212.2	310.8	958.4					2,002.4
– five years later	185.7	151.7	187.4	212.1	307.1						1,044.0
– six years later	181.7	149.5	186.5	209.3							727.0
– seven years later	182.7	148.4	183.3								514.4
– eight years later	181.5	155.0									336.5
– nine years later	181.1										181.1
Current estimate of cumulative claims	181.1	155.0	183.3	209.3	307.1	958.4	306.1	433.7	304.1	332.2	3,370.3
Cumulative payments to date	(173.3)	(138.8)	(176.1)	(197.9)	(274.6)	(853.8)	(163.2)	(263.0)	(186.1)	(75.0)	(2,501.8)
Liability recognised in the balance sheet	7.8	16.2	7.2	11.4	32.5	104.6	142.9	170.7	118.0	257.2	868.5
Provision in respect of prior years											107.5
Total provision included in the balance sheet											976.0

Claims outstanding (net)

Policy year	2006/07 US$m	2007/08 US$m	2008/09 US$m	2009/10 US$m	2010/11 US$m	2011/12 US$m	2012/13 US$m	2013/14 US$m	2014/15 US$m	2015/16 US$m	Total US$m
Estimate of ultimate claims costs:											
– at end of policy year	170.3	171.1	166.5	177.5	193.8	227.5	252.5	274.1	251.0	253.5	2,137.8
– one year later	156.0	147.6	176.1	169.1	213.0	238.7	231.2	288.0	222.1		1,841.8
– two years later	144.2	147.9	161.7	157.0	197.7	225.8	218.2	273.3			1,525.8
– three years later	145.6	144.0	159.8	157.9	192.1	220.0	212.5				1,231.9
– four years later	149.5	140.2	158.2	156.4	185.9	210.6					1,000.8
– five years later	151.7	138.9	157.9	157.6	183.1						789.2
– six years later	146.8	136.8	156.5	155.6							595.7
– seven years later	147.7	135.5	154.2								437.4
– eight years later	145.9	135.2									281.1
– nine years later	145.7										145.7
Current estimate of cumulative claims	145.7	135.2	154.2	155.6	183.1	210.6	212.5	273.3	222.1	253.5	1,945.8
Cumulative payments to date	(138.4)	(127.5)	(148.1)	(144.9)	(166.9)	(190.5)	(158.3)	(185.3)	(130.4)	(67.1)	(1,457.5)
Liability recognised in the balance sheet	7.2	7.7	6.1	10.7	16.2	20.1	54.2	88.0	91.7	186.4	488.4
Provision in respect of prior years											94.3
Total provision included in the balance sheet											582.7

Notes to the financial statements continued

14. Other financial investments

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Financial assets at fair value through profit or loss	**749.3**	771.9	**749.1**	771.9	**0.2**	–
Total financial assets at market value	**749.3**	771.9	**749.1**	771.9	**0.2**	–
Financial assets at fair value through profit or loss	**741.0**	726.9	**740.8**	726.9	**0.2**	–
Total financial assets at cost	**741.0**	726.9	**740.8**	726.9	**0.2**	–
At market value						
Shares and other variable-yield securities and units in unit trusts	**190.2**	151.9	**190.2**	151.9	**–**	–
Debt securities and other fixed-income securities	**559.1**	624.3	**558.9**	624.3	**0.2**	–
Open forward currency contracts	**–**	(4.3)	**–**	(4.3)	**–**	–
Total investments at market value	**749.3**	771.9	**749.1**	771.9	**0.2**	–
At cost						
Shares and other variable-yield securities and units in unit trusts	**183.2**	116.2	**183.0**	116.2	**0.2**	–
Debt securities and other fixed-income securities	**557.8**	610.7	**557.8**	610.7	**–**	–
Total investments at cost	**741.0**	726.9	**740.8**	726.9	**0.2**	–

Included in the carrying values above are amounts in respect of listed investments as follows:

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Shares and other variable-yield securities and unit trusts	**155.0**	119.4	**155.0**	119.4	**–**	–
Debt securities and other fixed-income securities	**425.5**	236.9	**425.5**	236.9	**–**	–
	580.5	356.3	**580.5**	356.3	**–**	–

	Total		P&I and related		Syndicate	
Open forward currency contracts	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Fair value asset	**–**	(4.3)	**–**	(4.3)	**–**	–
Contract/notional amount	**269.7**	159.4	**269.7**	159.4	**–**	–

Open forward currency contracts represent potential losses or gains on forward contracts, which have been entered into to protect the assets of the club. These have been revalued at 20 February 2016 using exchange rates prevailing at that date. 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.

14. Other financial investments continued

Contractual amounts outstanding at the balance sheet date include forward currency contracts to transact the net equivalent of US$nil (2015: US$(4.3m)), as broken down by local currency in the following table:

	P&I and related		P&I and related	
	2016 Local currency US$m		2015 Local currency US$m	
	Purchase	**Sell**	Purchase	Sell
Australian dollar	**1.6**	**–**	–	(2.5)
Brazilian real	**–**	**–**	–	(4.9)
British pound sterling	**31.7**	**(69.7)**	18.0	(17.7)
Canadian dollar	**3.8**	**–**	–	–
European euro	**82.0**	**(87.2)**	47.9	(24.9)
HK Offshore Chinese yuan	**–**	**–**	–	(13.0)
Indian rupee	**–**	**(0.7)**	–	–
Japanese yen	**1.2**	**(7.6)**	–	(7.0)
Mexican peso	**–**	**–**	–	(7.5)
Norwegian krone	**–**	**–**	–	–
Polish zloty	**–**	**–**	–	(4.0)
Singapore dollar	**–**	**(0.7)**	–	–
South African rand	**–**	**–**	–	(6.1)
Swiss franc	**–**	**(1.1)**	–	–
Turkish lira	**–**	**–**	–	(0.2)
New Taiwan dollar	**–**	**(1.2)**	–	–
US dollar	**167.7**	**(119.9)**	88.1	(70.3)

The net US dollar position of the above transactions at cost is US$nil (2015: US$nil).

The forward currency contracts outstanding at year-end expire by 10 May 2016 (2015: 23 June 2015).

During the year, a gain of US$0.4m (2015: loss of US$3.8m) relating to such contracts was recognised. This is included in the net exchange loss of US$3.0m (2015: restated US$6.1m) in the consolidated income and expenditure non-technical account.

15. Management of insurance and financial risk

The club is exposed to a range of insurance and financial risks through its operations as a protection and indemnity insurer, and its investment in its Lloyd's syndicate.

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

15.1 Insurance risk

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

15.1.1 Premium risk

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

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

Notes to the financial statements continued

15. Management of insurance and financial risk continued

15.1.2 Reserve risk

Reserve risk is managed by the prompt reserving of potential losses, regular review of individual estimates and overall reserve adequacy, as well as regular, systematic claims audits and the monitoring of consistency of estimating approaches, and the modelling of technical provisions by the club's actuarial function.

While the board considers that the liability for insurance claims recognised in these financial statements is adequate, it recognises that actual experience will differ from the expected outcome. The following table presents the sensitivity of the value of insurance liabilities disclosed in note 13 to movements in the assumptions used in the estimation of insurance liabilities. These sensitivities relate mainly to the P&I class, as this represents the club's largest exposure.

	Increase		Decrease	
Impact on profit – gross of reinsurance	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Increase/decrease in loss ratio by 5 percentage points	**(17.7)**	(17.8)	**17.7**	17.8
10% increase/decrease in the number of occupational disease claims	**(4.1)**	(3.3)	**4.1**	3.3
10% increase/decrease in claims-handling expenses	**(2.0)**	(2.0)	**2.0**	2.0
10% increase/decrease in number of IBNR claims	**(16.3)**	(13.1)	**16.3**	13.1

Impact on profit – net of reinsurance	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Increase/decrease in loss ratio by 5 percentage points	**(13.2)**	(13.2)	**13.2**	13.2
10% increase/decrease in the number of occupational disease claims	**(4.1)**	(3.3)	**4.1**	3.3
10% increase/decrease in claims-handling expenses	**(2.0)**	(2.0)	**2.0**	2.0
10% increase/decrease in number of IBNR claims	**(9.1)**	(8.5)	**9.1**	8.5

15.2 Financial risk

The club is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts and borrowings), 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 investment and liabilities are interest rate risk and equity price risk.

15.2.1 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, approximately 75% (2015: 81%) of the club's investment portfolio was invested in fixed interest assets. The weighted duration of the investment portfolio was 4.0 years (2015: 3.5 years).

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 150 basis points in bond yields would result in a cost to the club of $40.7m.

15. Management of insurance and financial risk continued

Equity 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% decrease in equity values would be estimated to have decreased the surplus before tax and reserves at the year-end by $19.0m.

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 pound 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 2016, had sterling strengthened by 10% against the US dollar with all other variables held constant, profit for the year would have been $3.4m lower. Had the euro strengthened by 10% against the US dollar, profit for the year would have been $0.3m lower.

15.2.2 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; and
- counterparty risk with respect to cash and investments.

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

	Total		P&I and related		Syndicate	
Group	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Derivative financial instruments	**–**	(4.3)	**–**	(4.3)	**–**	–
Debt securities	**559.1**	624.3	**558.9**	624.3	**0.2**	–
Loans and receivables	**93.9**	113.4	**93.9**	113.4	**–**	–
Assets arising from reinsurance contracts held	**4.2**	7.0	**4.2**	7.0	**–**	–
Cash at bank and in hand	**114.8**	84.6	**113.4**	84.6	**1.4**	–
Total assets bearing credit risk	**772.0**	825.0	**770.4**	825.0	**1.6**	–

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
AAA	**280.6**	96.9	**279.0**	96.9	**1.6**	–
AA	**88.2**	298.5	**88.2**	298.5	**–**	–
A	**195.7**	157.9	**195.7**	157.9	**–**	–
BBB	**87.8**	127.6	**87.8**	127.6	**–**	–
Below BBB or not rated	**119.7**	144.1	**119.7**	144.1	**–**	–
Total assets bearing credit risk	**772.0**	825.0	**770.4**	825.0	**1.6**	–

The concentration of credit risk is substantially unchanged compared to the prior year. No credit limits were exceeded during the year. No financial assets are past due or impaired at the reporting date, and management expects no significant losses from non-performance by these counterparties.

Notes to the financial statements continued

15. Management of insurance and financial risk continued

15.2.3 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 policyholders 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 dates that contracts will mature, the amounts that are due for payment or the assets that could be realised without significant additional cost:

Group	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 2016						
Shares and other variable-yield securities and units in unit trusts	174.6	–	–	13.9	1.7	190.2
Debt securities and other fixed-income securities	553.3	0.2	–	5.6	–	559.1
Forward currency contracts	–	–	–	–	–	–
Cash balances	113.4	1.4	–	–	–	114.8
Investment property	–	–	–	–	33.3	33.3
Debtors	11.5	86.5	–	–	–	98.0
Reinsurers' share of claims outstanding	–	118.0	98.3	118.0	59.0	393.3
	858.4	**206.1**	**98.3**	**131.9**	**94.0**	**1,388.7**

	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 2015						
Shares and other variable-yield securities and units in unit trusts	136.2	12.4	–	–	3.3	151.9
Debt securities and other fixed-income securities	624.3	–	–	–	–	624.3
Forward currency contracts	(4.3)	–	–	–	–	(4.3)
Cash balances	84.6	–	–	–	–	84.6
Investment property	–	–	–	–	30.8	30.8
Debtors	23.0	97.4	–	–	–	120.4
Reinsurers' share of claims outstanding	–	125.3	80.2	118.5	100.2	424.2
	863.8	235.1	80.2	118.5	134.3	1,431.9

15. Management of insurance and financial risk continued

The following is an analysis of the estimated timings of net cash flows by financial liability (classes 1 to 4 combined). The timings 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:

Group	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 2016					
Gross outstanding claims	292.8	244.0	292.8	146.4	976.0
Financial liabilities under investment contracts	–	–	–	–	–
Creditors	44.5	–	–	–	44.5
	337.3	**244.0**	**292.8**	**146.4**	**1,020.5**
As at 20 February 2015					
Gross outstanding claims	295.4	189.1	279.5	236.4	1,000.4
Financial liabilities under investment contracts	–	–	–	–	–
Creditors	66.1	–	–	–	66.1
	361.5	189.1	279.5	236.4	1,066.5

Company	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 2016					
Gross outstanding claims	–	–	–	–	–
Financial liabilities under investment contracts	–	–	–	–	–
Creditors	22.0	–	–	–	22.0
	22.0	**–**	**–**	**–**	**22.0**
As at 20 February 2015					
Gross outstanding claims	–	–	–	–	–
Financial liabilities under investment contracts	–	–	–	–	–
Creditors	20.6	–	–	–	20.6
	20.6	–	–	–	20.6

Notes to the financial statements continued

15. Management of insurance and financial risk continued
15.2.4 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 club's assets and liabilities measured at fair value at 20 February 2016 and at 20 February 2015.

Financial assets at fair value through the consolidated statement of comprehensive income:

Group	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
At 20 February 2016				
Shares and other variable-yield securities and units in unit trusts	155.0	35.2	–	190.2
Debt securities and other fixed-income securities	502.2	56.7	–	558.9
Forward currency contracts	–	–	–	–
	657.2	**91.9**	–	**749.1**
As at 20 February 2015				
Shares and other variable-yield securities and units in unit trusts	136.2	7.8	7.9	151.9
Debt securities and other fixed-income securities	624.3	–	–	624.3
Forward currency contracts	(4.3)	–	–	(4.3)
	756.2	7.8	7.9	771.9

15.3 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; and
- to retain financial flexibility by maintaining strong liquidity.

The club's principal regulators are the Bermuda Monetary Authority (BMA), the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), 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. Throughout the year the club complied with the BMA and PRA's capital requirements and the requirements in the other countries in which it operates.

16. Tangible assets

	Furniture, fixtures and fittings	
	2016 US$m	2015 US$m
Group		
Book cost		
As at 20 February 2015 (2014)	**6.1**	6.1
Additions	**–**	–
Currency fluctuation adjustments	**–**	–
Transfers	**–**	–
As at 20 February 2016 (2015)	**6.1**	6.1
Accumulated depreciation		
As at 20 February 2015 (2014)	**2.2**	1.4
Charge for the year	**0.6**	0.8
As at 20 February 2016 (2015)	**2.8**	2.2
Net book value	**3.3**	3.9

All classes combined.

17. Intangible assets

	Computer software	
	2016 US$m	2015 US$m
Group		
Book cost		
As at 20 February 2015 (2014)	**7.6**	7.7
Additions	**–**	–
Currency fluctuation adjustments	**–**	(0.1)
Transfers	**–**	–
As at 20 February 2016 (2015)	**7.6**	7.6
Accumulated depreciation		
As at 20 February 2015 (2014)	**6.6**	5.9
Charge for the year	**0.7**	0.7
As at 20 February 2016 (2015)	**7.3**	6.6
Net book value	**0.3**	1.0

All classes combined.

Notes to the financial statements continued

18. Investment in group and associate undertakings

	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 Club (Europe) Limited, incorporated in the United Kingdom[1]	Note 1	20 Feb	Marine mutual	75	75
The Standard Club (Asia) Limited, incorporated in Singapore	Ordinary	20 Feb	Marine mutual	100	20
Taylor Hedge Fund, incorporated in Bermuda	Ordinary	31 Dec	Equity investment	95	–
Hydra Insurance Company Limited (Standard Cell), incorporated in Bermuda	Preferred	20 Feb	Reinsurance	100	100
Standard House Limited, incorporated in Bermuda	Ordinary	20 Feb	Property investment	100	–
Charles Taylor Managing Agency Holdings Limited, incorporated in the United Kingdom[2]	Ordinary	31 Dec	Lloyd's managing agent	49.9	49.9
The Standard Club Corporate Name Limited, incorporated in the United Kingdom	Ordinary	31 Dec	Lloyd's corporate name	100	100

1 75% of voting control, no participating interest. No minority interest is shown in the group financial statements because the affairs of each class are managed on a unified basis throughout the group.
2 The group has an investment of $1.1m in an associate company, Charles Taylor Managing Agency Holdings Limited (CTMAH), a Lloyd's managing agent holding company. The group holds 49.9% of the nominal value of the allotted ordinary shares of CTMAH. The cost of this investment was $2.2m.

All subsidiary undertakings are consolidated in the financial statements.

19. Debtors arising out of direct insurance operations

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Group						
Members	**88.2**	97.6	**88.2**	97.6	**–**	–
Intermediaries	**12.1**	0.2	**0.8**	0.2	**11.3**	–
Reinsurers – Pool	**3.8**	7.0	**3.8**	7.0	**–**	–
Reinsurers – other	**0.4**	–	**0.4**	–	**–**	–
Debtors arising out of direct insurance operations	**104.5**	104.8	**93.2**	104.8	**11.3**	–

20. Other creditors including taxation and social security

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Group						
Corporation tax	**0.1**	–	**0.1**	–	**–**	–
Trade creditors	**1.8**	–	**1.3**	–	**0.5**	–
Other creditors	**9.2**	23.2	**9.2**	23.2	**–**	–
Other creditors including taxation and social security	**11.1**	23.2	**10.6**	23.2	**0.5**	–

21. Reconciliation of operating surplus to net cash flow from operating activities

	Total		P&I and related		Syndicate	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Excess/(shortfall) of income over expenditure before tax	**9.4**	11.9	**15.3**	11.9	**(5.9)**	–
Gains arising on realisation of investments	**(39.6)**	(31.5)	**(39.6)**	(31.5)	**–**	–
Losses arising on realisation of investments	**29.6**	12.0	**29.6**	12.0	**–**	–
Unrealised losses on revaluation of investments	**31.1**	10.4	**31.1**	10.4	**–**	–
Depreciation	**1.1**	1.1	**1.1**	1.1	**–**	–
Decrease/(increase) in debtors	**(0.3)**	(37.9)	**16.1**	(37.9)	**(16.4)**	–
Increase/(decrease) in net claims provision	**20.3**	(2.4)	**2.8**	(2.4)	**17.5**	–
(Decrease)/increase in creditors	**(21.2)**	30.8	**(26.6)**	30.8	**5.4**	–
Taxation	**1.1**	–	**–**	–	**1.1**	–
Other charges including value adjustments	**–**	4.9	**–**	4.9	**–**	–
Exchange differences	**0.5**	4.7	**0.5**	4.7	**–**	–
Net cash flow from operating activities	**32.0**	4.0	**30.3**	4.0	**1.7**	–

22. Letters of credit, bail bonds and guarantees

In the normal course of business, the club has provided letters of credit and guarantees on behalf of its members. These are secured by investments held by the club amounting to $58m (2015: $46m).

23. Related party transactions

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.

All the directors (except four, one director and shareholder of Charles Taylor plc, the ultimate holding company of the club's managers, Charles Taylor & Co (Bermuda), one Bermuda resident director with no membership interests, and two independent non-executive directors) are representatives or agents of member companies, and other than the insurance and membership interests of the directors' companies, the directors have no financial interests in the club. The club paid management fees to the managers for the year of $53.1m (2015: $54.2m).

Notes to the financial statements continued

24. Rates of exchange

	2016	2015
The following rates of exchange were applicable to US$1 at 20 February 2016 (2015)		
Australian dollars	**1.41**	1.29
Bermudian dollars	**1.00**	1.00
Canadian dollars	**1.39**	1.25
Euro	**0.89**	0.88
Japanese yen	**112.75**	118.68
Singapore dollars	**1.40**	1.35
Swiss francs	**0.98**	0.93
UK sterling	**0.69**	0.65

25. Transition to FRS 102

This is the first year that the group and club have presented their results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 20 February 2015. The date of transition to FRS 102 was 20 February 2014. Set out below are the changes in accounting policies between UK GAAP as previously reported and FRS 102. There were no changes to the group and club results for the financial year ended 20 February 2015 and the group and club reserves as at 20 February 2014 and 20 February 2015 as a result of the adoption of FRS 102.

(a) Insurance balances treated as monetary items

FRS 103 requires that all assets and liabilities arising from an insurance contract are treated as monetary items for foreign currency translation purposes. Previously, balances such as unearned premiums and deferred acquisition costs were treated as non-monetary items. This had no impact as insurance assets and liabilities previously treated as non-monetary items were not in foreign currencies and therefore not translated.

(b) Statement of cash flows

The group's cash flow statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition, the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.

(c) Intangible assets

Computer software, with a net book value of $1m at 20 February 2015, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the group's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortisation.

(d) Investments in subsidiaries and associates

Change in terminology from 'net realisable value' to 'fair value less cost to sell' under FRS 102 has no impact on the measurement of assets.

(e) Foreign currency translation

Exchange differences arising from the translation of functional currencies of group companies with non-US dollar functional currencies to group presentation currency were previously disclosed within the non-technical account and are now disclosed within other comprehensive income.

Appendix I (unaudited) – funds available
(class 1 – P&I summary)

	Appendix reference	Funds available and estimated future supplementary calls US$m	Estimated net claims and forecast of unreported claims US$m
At 20 February 2016			
Total closed policy years	III	**300.2**	**300.2**
Open policy years			
2015/16	II	172.9	172.9
2014/15	II	87.1	87.1
Total of open policy years		**260.0**	**260.0**
Reserves			
Contingency reserve	III	307.2	–
Statutory reserve		0.2	–
Total reserves		**307.4**	**–**
Funds available for outstanding and unreported claims		**867.6**	**560.2**

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

Appendix II (unaudited) – funds available

(class 1 – P&I open years)

		2015 One year from inception US$m	2014 Two years from inception US$m	2013 Three years from inception US$m
At 20 February 2016				
Calls and premiums – current year		323.4	0.1	–
Calls and premiums – prior year		–	327.3	310.7
Less: claims, reinsurance premiums, administration expenses and tax		(176.8)	(240.7)	(275.3)
		146.6	86.7	35.4
Investment income to date		(6.6)	14.5	8.2
Funds available	**A**	**140.0**	**101.2**	**43.6**
Estimated known outstanding claims and forecast of unreported claims		243.5	113.4	168.7
Estimated reinsurance recoveries		(70.6)	(26.3)	(82.6)
	B	**172.9**	**87.1**	**86.1**
Anticipated deficit at closure	A-B	(32.9)	14.1	–
Deficit on closure of 2013/14 year		–	–	(42.5)
Transferred from contingency reserve at 20 February 2015		–	–	45.9
Transferred from/(to) contingency reserve at 20 February 2016		32.9	(14.1)	(3.4)
		–	–	–
Product of a 10% supplementary call		**24.6**	**24.5**	**23.2**

Notes
Estimated known outstanding claims and the forecast of unreported claims of open years (excluding the 2013/14 policy year) include the club's share of other clubs' Pool claims amounting to $50.9m.

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 $48.9m and anticipated recoveries from other reinsurers of $20.3m.

Investment income
All investment income received in the year has been allocated to the 2015/16 policy year.

Fixed premium and non-poolable business
Of the $323m of calls and premiums on the 2015 P&I policy year, $71m represents non-poolable business which is all fixed premium. The comparative figures for 2014 are $327m and $75m, and for 2013 are $311m and $70m.

Appendix III (unaudited) – funds available

(class 1 – P&I closed years)

	Closed policy years		Contingency reserve	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m
At 20 February 2015				
Balance available at 20 February 2015 (2014)	**257.1**	239.4	**305.1**	299.7
Transfers on closure of 2013/14 (2012/13) policy year	**86.1**	77.5	**3.4**	31.8
Premium adjustment	**–**	–	**(0.4)**	0.7
Claims paid net of reinsurance recoveries	**(25.1)**	(21.1)	**–**	–
	318.1	295.8	**308.1**	332.2
Transfer of anticipated deficit on open years	**–**	–	**(18.8)**	(63.4)
Other charges including value adjustments	**–**	–	**–**	(2.4)
Minority interest	**–**	–	**–**	–
Improvement of claims in closed policy years	**(17.9)**	(38.7)	**17.9**	38.7
Balance available at 20 February 2016 (2015)	**300.2**	257.1	**307.2**	305.1

Closed policy years

The balance available for outstanding claims of closed policy years (including the 2013/14 year which was closed at the club's meeting on 13 May 2016) includes a provision for incurred but not reported claims (IBNR) of $61.8m (2015: $43.8m) and is shown net of Pool recoveries of $60.6m (2015: $10.2m), recoveries from Group excess of loss reinsurers of $122m (2015: $141.3m) and other non-Group reinsurance recoveries which amount to $113.2m (2015: $105.7m). The balance available including IBNR includes $58.5m (2015: $50.2m) in respect of the club's share of other clubs' outstanding Pool claims.

Notice of annual general meeting

The Standard Club Ltd (the company)
Registered no: 1837

Notice is hereby given that the 45th annual general meeting of the company will be held on Friday 21 October 2016 at 8.50am (the meeting) at Palace Hotel Tokyo, 1-1-1 Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan for the purpose of considering and, if thought fit, passing the following 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 2016 be received and adopted.

Re-election of directors appointed since the last AGM

2. THAT Alan Cossar be re-elected as a director of the company.
3. THAT Philip Clausius be re-elected as a director of the company.
4. THAT Jeremy Grose be re-elected as a director of the company.

Annual re-election of directors

5. THAT Necdet Aksoy be re-elected as a director of the company.
6. THAT Luigi D'Amato be re-elected as a director of the company.
7. THAT Cesare d'Amico be re-elected as a director of the company.
8. THAT Paolo Clerici be re-elected as a director of the company.
9. THAT Alistair Groom be re-elected as a director of the company.
10. THAT Bhumindr Harinsuit be re-elected as a director of the company.
11. THAT Erik Johnsen be re-elected as a director of the company.
12. THAT Rod Jones be re-elected as a director of the company.
13. THAT Ricardo Menendez Ross be re-elected as a director of the company.
14. THAT Constantine Peraticos be re-elected as a director of the company.
15. THAT Art Bensler be re-elected as a director of the company.
16. THAT Andrew Broomhead be re-elected as a director of the company.
17. THAT Helen Deeble be re-elected as a director of the company.
18. THAT Emanuele Lauro be re-elected as a director of the company.
19. THAT Stefano Rosina be re-elected as a director of the company.
20. THAT Peter Senkbeil be re-elected as a director of the company.

Committee member fees

21. THAT the remuneration for the chairman of the Audit and Risk Committee of the board be increased to $4,000 for each meeting attended in person with effect from noon GMT on 20 February 2016.
22. THAT the remuneration for the committee members of the Audit and Risk Committee of the board be increased to $2,000 for each meeting attended in person with effect from noon GMT on 20 February 2016.
23. THAT the remuneration for the chairmen of the Nomination and Governance Committee and the Strategy Committee of the board be increased to $2,000 for each meeting attended in person with effect from noon GMT on 20 February 2016.
24. THAT the remuneration for the committee members of the Nomination and Governance Committee and Strategy Committee of the board be increased to $1,500 for each meeting attended in person with effect from noon GMT on 20 February 2016.

Appointment of auditors

25. THAT PricewaterhouseCoopers LLP be reappointed as auditors, and that the directors be authorised to fix their remuneration.

Date: 13 May 2016
By order of the board,
Charles Taylor & Co (Bermuda)
Secretary

Registered Office:
Swan Building, 2nd Floor
26 Victoria Street
Hamilton HM12
P.O. Box HM 2904
Hamilton HMLX Bermuda

Re-election of directors holding office for over nine years

Necdet Aksoy (appointed 30 January 2002)	Principal of Akmar Holding SA
Paolo Clerici (appointed 29 January 2003)	Principal of Coeclerici SpA, Italy
Luigi D'Amato (appointed 24 January 2006)	Principal of Fratelli D'Amato SpA, Italy
Cesare d'Amico (appointed 28 January 2004)	Principal of d'Amico Società di Navigazione, Italy
Alistair Groom (appointed 1 October 2004)	Former CEO of the managers' London agents
Bhumindr Harinsuit (appointed 30 January 2007)	Managing director of The Harinsuit Transport Co Ltd
Erik Johnsen (appointed 26 September 2003)	President of International Shipholding Corporation
Rod Jones (appointed 30 January 2002)	President and CEO of CSL Group
Ricardo Menendez Ross (appointed 18 May 1990)	CEO of Interocean Transportation Inc
Constantine Peraticos (appointed 16 May 2003)	Principal of Pleiades Shipping Agents SA, Greece

Notes

1 A member of the company entitled to attend, speak and vote at the above meeting is entitled to appoint a proxy to attend, speak and vote on their behalf. The proxy need not be a member of the company.

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 (Bermuda), Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, P.O. Box HM 2904, Hamilton HMLX, Bermuda, or scanned and e-mailed to pandi.bermuda@ctplc.com not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

4 A corporate member 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 Club Ltd (the company)
Registered no: 1837

45th annual general meeting
21 October 2016 at 8.50am (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 Palace Hotel Tokyo, 1-1-1 Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan on Friday 21 October 2016 at 8.50am, and at any adjournment thereof.

Signature ....

Dated 2016

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 2016 be received and adopted.		
2. THAT Alan Cossar be re-elected as a director of the company.		
3. THAT Philip Clausius be re-elected as a director of the company.		
4. THAT Jeremy Grose be re-elected as a director of the company.		
5. THAT Necdet Aksoy be re-elected as a director of the company.		
6. THAT Luigi D'Amato be re-elected as a director of the company.		
7. THAT Cesare d'Amico be re-elected as a director of the company.		
8. THAT Paolo Clerici be re-elected as a director of the company.		
9. THAT Alistair Groom be re-elected as a director of the company.		
10. THAT Bhumindr Harinsuit be re-elected as a director of the company.		
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12. THAT Rod Jones be re-elected as a director of the company.		
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18. THAT Emanuele Lauro be re-elected as a director of the company.		
19. THAT Stefano Rosina be re-elected as a director of the company.		
20. THAT Peter Senkbeil be re-elected as a director of the company.		
21. THAT the remuneration for the chairman of the Audit and Risk Committee be increased to $4,000 for each meeting attended in person with effect from noon GMT on 20 February 2016.		
22. THAT the remuneration for the committee members of the Audit and Risk Committee be increased to $2,000 for each meeting attended in person with effect from noon GMT on 20 February 2016.		
23. THAT the remuneration for the chairmen of the Nomination and Governance Committee and the Strategy Committee be increased to $2,000 for each meeting attended in person with effect from noon GMT on 20 February 2016.		
24. THAT the remuneration for the committee members of the Nomination and Governance Committee and Strategy Committee be increased to $1,500 for each meeting attended in person with effect from noon GMT on 20 February 2016.		
25. THAT PricewaterhouseCoopers LLP be reappointed as auditors, and that the directors be authorised to fix their remuneration.		

Notes

1 If you wish any person other than the chairman to act as your proxy, please insert the name of your proxy in the space provided. If no name is inserted, you will be deemed to have appointed the chairman of the meeting. A proxy need not be a member.
2 Please indicate with an X in the appropriate spaces how you wish your vote to be cast in respect of each of the resolutions. On receipt of this form duly signed but without any specific direction on how you wish your votes to be cast, the proxy will vote in favour of the resolutions.
3 In the case of a corporation, this form must be signed under its common seal or be signed by an authorised officer or attorney duly authorised on that behalf, and the signatory should state in the line below his name, his office (e.g. company secretary, director).
4 To be valid at the annual general meeting referred to, this form must be completed, signed and dated. It should then be deposited with the Secretary of the company, Charles Taylor & Co (Bermuda), Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, P.O. Box HM 2904, Hamilton HMLX, Bermuda, or scanned and e-mailed to pandi.bermuda@ctplc.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 offices

Managers
Charles Taylor & Co (Bermuda)

Company Secretary
Charles Taylor & Co (Bermuda)

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