

TO ALL MEMBERS

15 May 2009

Dear Sirs

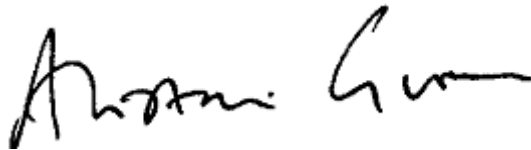
**STANDARD STEAMSHIP OWNERS' PROTECTION & INDEMNITY ASSOCIATION
(EUROPE) LIMITED
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 20 FEBRUARY 2009**

This year's Report and Accounts are set out on the following pages, together with the Notice of the Annual General meeting.

Owing to the reinsurance arrangements of both the P&I and Defence classes, the Report and Accounts of Standard Europe should be read in conjunction with the Report and Accounts of Standard Bermuda, Standard Europe's parent, which are drawn up on a consolidated basis showing the group P&I and Defence positions.

The Standard Bermuda Report and Accounts will be published in June and will be sent to all members.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Alistair Groom', written in a cursive style.

Alistair Groom
Chief Executive
Charles Taylor & Co Ltd

DIRECTORS

R Menendez Ross
Chairman
Ultrapetrol (Bahamas) S.A.

R M Jones
CSL International Inc
(Appointed 27 Jan 2009)

J de Sendagorta
Maritima del Norte
(Resigned 10 Oct 2008)

A J Groom
Manager

J S M Rowe
Manager

Registered in England
Company number 17864

NOTICE OF MEETING

*To the Members of the Standard Steamship Owners' Protection & Indemnity Association
(Europe) Limited*

Notice is hereby given that the 125th Annual General Meeting of the members will be held in Singapore, on 09 October 2009 at 9am.

Business

To adopt the Report and Accounts.

To reappoint PricewaterhouseCoopers LLP as auditors and to authorise the directors to fix their remuneration.

To re-elect directors who retire in accordance with the Articles of Association.
Any other business.

By order of the board,

Charles Taylor & Co Limited
Secretary

15 May 2009

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their Report and Accounts of the club for the year ended 20 February 2009.

Principal activities

The principal activities of the club and its subsidiaries during the year were the insurance and reinsurance of marine protection and indemnity and related risks on behalf of the members.

Business review

Both the Defence and P&I classes continue to be substantially reinsured through a 90% quota-share reinsurance contract with Standard Reinsurance (Bermuda) Ltd, a wholly-owned subsidiary of The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Ltd. The combined financial position of each class is set out in the Annual Report and Accounts of The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Ltd.

P&I class

The Estimated Total Premium for the 2008/09 year amounted to \$70.1m, of which \$41.8m was paid to Standard Reinsurance (Bermuda) Ltd. under the quota-share contract. The combined P&I class position, set out in the accounts of The Standard Steamship Owners' Protection & Indemnity Association (Bermuda) Ltd., shows that a deficit is currently expected for this policy year.

In May this year, the board decided to close the 2006/07 policy year without further call. The members were also advised that no supplementary calls were likely for the 2007/08 or 2008/09 policy years.

Defence class

The Estimated Total Premium for the 2008/09 year amounted to \$3.2m, of which \$2.4m was paid to Standard Reinsurance (Bermuda) Ltd. under the quota-share contract. The combined Defence class position, set out in the accounts of The Standard Steamship Owners' Protection & Indemnity Association (Bermuda) Ltd., shows that a deficit is currently expected for this policy year.

In May this year, the board decided to close the 2006/07 policy year without further call. The members were also advised that no supplementary calls were likely for the 2007/08 or 2008/09 policy years.

Financial instruments

The club is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. The club manages these positions within an investment strategy.

Principal business risks

The principal risks arise from inaccurate pricing, fluctuations in the frequency and severity of claims compared with expectation, inadequate reserving and impairment of financial assets. The club has developed a business model that enables it to assess the capital required to reflect the financial impact of the business risks.

Future outlook

The club will continue to write business under the two existing classes, following a policy of selective underwriting.

Key performance indicators

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

	2009	2008
Premium \$m	74.5	66.9
Free reserves \$m	15.7	10.3
Claims cover ^{*1}	2.89	2.82
Combined ratio %	60	331

*1. Ratio of net assets to outstanding claims

Directors

The directors of the club are as shown on page 1 of this report.

The board was pleased welcome Mr R M Jones as a director during the year. The director retiring by rotation, in accordance with the Articles of Association, is Mr J S M Rowe.

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and accordingly a resolution to propose their re-appointment will be submitted at the annual general meeting.

By order of the board,

Charles Taylor & Co Limited
Secretary

15 May 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of the affairs of the club and of the income and expenditure for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going-concern basis unless it is inappropriate to presume that the club will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The financial statements are published on the club's website. The directors are responsible for the maintenance and integrity of the website. Visitors to the website need to be aware that legislation in the UK concerning the preparation and dissemination of financial statements may differ in other jurisdictions.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the club and which enable them to ensure that the financial statements comply with the UK Companies Act 1985.

They are also responsible for safeguarding the assets of the club, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

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

- 1) so far as each of them are aware, there is no information relevant to the audit of the club's financial statements for the year ended 20 February 2009 of which the auditors are unaware; and
- 2) each director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the club's auditors are aware of that information.

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

We have audited the financial statements of Standard Steamship Owners' Protection & Indemnity Association (Europe) Limited ('the club') for the year ended 20 February 2009 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the club's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the club has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Letter to Members, Directors' Report, Directors Listing, Notice of Meeting and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT CONTINUED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the club's affairs as at 20 February 2009 and of its excess of income over expenditure and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

15 May 2009

9	Income and expenditure account
10	Balance sheet
11	Cash flow statement
12	Notes to the financial statements

INCOME AND EXPENDITURE ACCOUNT
for the year ended 20 February 2009

	Notes	Total		Class 1 - P&I		Class 2 - Defence	
		2009 US\$ 000	2008 US\$ 000	2009 US\$ 000	2008 US\$ 000	2009 US\$ 000	2008 US\$ 000
Technical account - general business							
Income							
Gross premiums written including calls	3	74,524	66,924	70,896	64,459	3,628	2,465
Outward reinsurance premiums	4	(57,441)	(63,919)	(54,599)	(62,756)	(2,842)	(1,163)
Earned calls, net of reinsurance		17,083	3,005	16,297	1,703	786	1,302
<i>Total income</i>		17,083	3,005	16,297	1,703	786	1,302
Expenditure							
Claims paid		45,210	28,660	43,416	27,795	1,794	865
Reinsurers' share		(39,456)	(22,704)	(37,889)	(22,015)	(1,567)	(689)
Net claims paid		5,754	5,956	5,527	5,780	227	176
Change in provision for claims		4,098	10,888	67	8,424	4,031	2,464
Reinsurers' share		(1,425)	(9,084)	2,354	(6,905)	(3,779)	(2,179)
Change in net provision for claims		2,673	1,804	2,421	1,519	252	285
Claims incurred, net of reinsurance		8,427	7,760	7,948	7,299	479	461
Net operating expenses	5	1,906	2,174	1,854	2,114	52	60
<i>Total expenditure</i>		10,333	9,934	9,802	9,413	531	521
<i>Balance on the technical account for general business</i>		6,750	(6,929)	6,495	(7,710)	255	781
Non-technical account							
Balance on the technical account for general business		6,750	(6,929)	6,495	(7,710)	255	781
Investment income	6	1,805	2,369	1,612	2,258	193	111
Investment expenses and charges	6	(41)	(112)	(17)	(108)	(24)	(4)
Unrealised losses on investments	6	(2,857)	(173)	(2,279)	(156)	(578)	(17)
Exchange (losses)/gains		(495)	859	(443)	841	(52)	18
Other income	7	-	10,000	-	10,000	-	-
Excess/(shortfall) of income over expenditure before tax		5,162	6,014	5,368	5,125	(206)	889
Tax credit/(charge)	8	281	(897)	255	(883)	26	(14)
Excess/(shortfall) of income over expenditure for the financial year transferred to/(from) contingency reserve		5,443	5,117	5,623	4,242	(180)	875

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

The notes on pages 12 to 20 form part of the accounts.

	Notes	Total		Class 1 - P&I		Class 2 - Defence	
		2009	2008	2009	2008	2009	2008
		US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Assets							
Investments							
Other financial investments	10	20,160	32,521	17,318	30,217	2,842	2,304
Reinsurers' share of technical provisions							
Claims outstanding	11	89,096	87,671	82,552	84,906	6,544	2,765
Debtors							
Debtors arising out of direct insurance operations	12	20,055	18,063	19,322	17,585	733	478
Amounts owed by group undertakings		300	7,794	300	7,794	-	-
Other debtors		304	52	303	51	1	1
		20,659	25,909	19,925	25,430	734	479
Other assets							
Cash at bank and in hand		12,101	10,265	10,285	9,326	1,816	939
Prepayments and accrued income		4,997	2,198	4,915	2,119	82	79
		17,098	12,463	15,200	11,445	1,898	1,018
Total assets		147,013	158,564	134,995	151,998	12,018	6,566
Liabilities							
Reserves							
Contingency reserve	13	15,748	10,305	15,428	9,805	320	500
		15,748	10,305	15,428	9,805	320	500
Technical provisions							
Gross claims outstanding	11	97,428	93,330	90,327	90,260	7,101	3,070
Creditors							
Creditors arising out of direct insurance operations		2,738	17,538	2,436	16,975	302	563
Other creditors including taxation		351	4,151	254	4,106	97	45
		3,089	21,689	2,690	21,081	399	608
Accruals and deferred income		42	41	41	40	1	1
Deferred tax	9	56	118	-	46	56	72
Amounts owed to group undertakings		30,650	33,081	26,795	30,772	3,855	2,309
Current account between classes		-	-	(286)	(6)	286	6
		33,837	54,929	29,240	51,933	4,597	2,996
Total liabilities		147,013	158,564	134,995	151,998	12,018	6,566

The financial statements on pages 9 to 20 were approved by the board of directors on 15 May 2009 and were signed on its behalf by:

R Menendez Ross Director
15 May 2009

The notes on pages 12 to 20 form part of the accounts.

CASH FLOW STATEMENT

for the year ended 20 February 2009

	Notes	Total		Class 1 - P&I		Class 2 - Defence	
		2009 US\$ 000	2008 US\$ 000	2009 US\$ 000	2008 US\$ 000	2009 US\$ 000	2008 US\$ 000
Net cash flow from operating activities	17	(7,777)	15,151	(9,726)	14,754	1,949	397
Taxation							
United Kingdom Corporation Tax paid		(663)	(322)	(628)	(298)	(35)	(24)
Net (outflow)/inflow		(8,440)	14,829	(10,354)	14,456	1,914	373
Cash flows were (applied)/invested as follows							
Increase/(decrease) in cash holdings	16	1,836	5,591	959	5,700	877	(109)
Net portfolio investments							
Fixed income securities	15	(10,306)	9,208	(11,313)	8,756	1,007	452
Equities	15	30	30	-	-	30	30
Net cash flow from investing activities		(10,276)	9,238	(11,313)	8,756	1,037	482
Net (application)/investment of cash flows		(8,440)	14,829	(10,354)	14,456	1,914	373
Movement in operating and closing portfolio investments							
Net cash inflow/(outflow) for the year	16	1,836	5,591	959	5,700	877	(109)
Portfolio investments	15	(10,276)	9,238	(11,313)	8,756	1,037	482
Movement arising from cashflows		(8,440)	14,829	(10,354)	14,456	1,914	373
Changes in market values	16	(2,085)	689	(1,586)	705	(499)	(16)
<i>Total movement in portfolio investments</i>		(10,525)	15,518	(11,940)	15,161	1,415	357
Portfolio investments at 21 February 2008		42,786	27,268	39,543	24,382	3,243	2,886
Portfolio investments at 20 February 2009		32,261	42,786	27,603	39,543	4,658	3,243

The notes on pages 12 to 20 form part of the accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution

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

2. Accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with:

- applicable accounting standards in the United Kingdom
- Section 255 of, and Schedule 9A to, the UK Companies Act 1985
- the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ('the ABI SORP') dated December 2005 (and amended December 2006)

The UK Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 ("the Regulations") use "Profit and Loss Account" as a heading, which is replaced by "income and expenditure account" throughout these financial statements consistent with the mutual status of the club. All references to income and expenditure account in these financial statements have the same meaning as Profit and Loss Account in the Regulations.

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

Once a year, the directors review and adopt the accounting policies that are most appropriate for the club. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(b) 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 rules of the club that requires policy years to be held open for three years. At the end of each financial year any anticipated surplus or deficit arising on open years is transferred to or from the contingency reserve.

(c) Calls and premiums

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

(d) Claims incurred

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

(e) Claims provisions and related reinsurance recoveries

The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the club. The club takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. 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.

Marine liability claims are long tail in nature and consequently a significant 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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

development pattern of the current claims will be consistent with past experience. However, allowance is made for changes or uncertainties that may create distortions in the underlying statistics or that might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including:

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

The variety of estimation techniques assists in giving greater understanding of the trends inherent in the data being projected and in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each policy year. Large claims impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Asbestosis and other environmental health related claims may have a long delay between the occurrence and notification. In estimating the cost of these claims the club considers the type of risks written historically that may give rise to exposure to these risks, 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 claims of these kind.

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 recoveries with regard to market data on the financial strength of each of the reinsurance companies.

(f) Reinsurance recoveries

The liabilities of the club are reinsured above certain levels with similar associations under the International Group's Pooling Agreement and with market underwriters. The figures in the consolidated statement of operations relate to recoveries on claims incurred during the year. Outstanding claims in the balance sheet are shown gross and the reinsurance recoveries are shown as an asset.

(g) Reinsurance premium

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

(h) Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. Dividends are recorded on the date on which the shares are quoted ex-dividend and gross of 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. Investment return is reported in the non-technical account.

(i) Investments

The investments held by the club are shown at market value in the balance sheet.

(j) Foreign currencies

Assets and liabilities in foreign currencies are translated at the US dollar rate of exchange at the balance sheet date. Revenue transactions in foreign currencies are translated into US dollars at the rate applicable for the week in which the transaction takes place. Exchange differences are reported in the non-technical account.

(k) General administration expenses

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

(l) Taxation

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

Deferred tax is recognised in the income and expenditure account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total gains and losses. Deferred tax balances are not discounted. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Gross premiums written including calls

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Estimated total premium, other premiums and releases 2008/09 (2007/08)	73,263	67,051	70,094	64,578	3,169	2,473
Adjustment for previous policy years	1,261	(127)	802	(119)	459	(8)
<i>Total calls and premiums</i>	74,524	66,924	70,896	64,459	3,628	2,465

4. Outward reinsurance premiums

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Quota-share reinsurance premium payable to Standard Reinsurance (Bermuda) Limited	40,340	41,428	37,523	39,646	2,817	1,782
Quota-share investment allocation	-	7,458	-	8,392	-	(934)
Other reinsurance premiums	17,101	15,033	17,076	14,718	25	315
<i>Reinsurance premiums paid</i>	57,441	63,919	54,599	62,756	2,842	1,163

5. Net operating expenses

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Acquisition costs						
Management fee	837	1,004	812	974	25	30
General expenses	5	2	5	2	-	-
General administration costs						
Management fee	791	948	767	920	24	28
General expenses	114	106	112	104	2	2
Safety & loss control	118	91	118	91	-	-
Auditors' remuneration for audit services	32	11	31	11	1	-
Auditors' remuneration for non-audit services	9	12	9	12	-	-
<i>Net operating expenses</i>	1,906	2,174	1,854	2,114	52	60

All the directors of the club are also directors of the ultimate parent undertaking from whom they receive remuneration for their services.

During the year the club obtained the following services from the club's auditor at costs as detailed below:

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Audit services						
Fees payable to the club's auditor for the audit of the club:						
Audit for UK GAAP reporting	32	11	31	11	1	-
Non-audit services						
Fees payable to the club's auditor for other services:						
(a) Other services pursuant to legislation, including the audit of the regulatory return	4	3	4	3	-	-
(b) Tax services	5	9	5	9	-	-
	41	23	40	23	1	-

6. Investment return

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Investment income						
Income from equities	116	33	86	-	30	33
Income from fixed-income securities	589	1,063	542	1,036	47	27
Deposit interest	307	314	290	263	17	51
Gains arising on realisation of investments	793	959	694	959	99	-
	1,805	2,369	1,612	2,258	193	111
Investment expenses and charges						
Investment management expenses	(21)	(14)	(16)	(10)	(5)	(4)
Losses on realisation of investments	(20)	(98)	(1)	(98)	(19)	-
	(41)	(112)	(17)	(108)	(24)	(4)
Unrealised losses on investments	(2,857)	(173)	(2,279)	(156)	(578)	(17)
<i>Total investment return</i>	(1,093)	2,084	(684)	1,994	(409)	90

7. Other income

The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited ("Bermuda") has guaranteed that it will provide the club with the financial resources necessary to enable the club to meet its liabilities as they fall due. Last year, pursuant to this guarantee, Bermuda gifted the club \$10 million.

8. Tax (credit)/charge

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Analysis of tax (credit)/charge for the period						
Current charge						
Corporation tax at 28.0% (2008 30.0%)	-	885	-	837	-	48
Prior years						
(Over)/under provision for prior years	(219)	72	(209)	70	(10)	2
Deferred tax						
Origination and reversal of timing differences	(62)	(60)	(46)	(24)	(16)	(36)
	(281)	897	(255)	883	(26)	14

Factors affecting tax (credit)/charge for the period

Excess/(shortfall) of income over expenditure before tax	5,162	6,014	5,368	5,125	(206)	889
Multiplied by the standard rate of tax 28% (2008 30%)	1,445	1,805	1,503	1,538	(58)	267
Income not assessable for tax purposes	(1,795)	(991)	(1,760)	(771)	(35)	(220)
Unrealised gains spread for tax purposes	12	71	-	70	12	1
Tax losses carried forward	338	-	257	-	81	-
Prior year tax (credit)/charge	(219)	72	(209)	70	(10)	2
	(219)	957	(209)	907	(10)	50

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. Deferred tax

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Unrecognised						
Unrecognised deferred tax asset at 21 February 2008	-	-	-	-	-	-
Unrecognised deferred tax movement	338	-	257	-	81	-
<i>Unrecognised deferred tax asset at 20 February 2009</i>	338	-	257	-	81	-
Tax losses carried forward	338	-	257	-	81	-
	338	-	257	-	81	-
Recognised						
Recognised deferred tax liability at 21 February 2008	(118)	(178)	(46)	(70)	(72)	(108)
Recognised deferred tax movement	62	60	46	24	16	36
<i>Recognised deferred tax liability at 20 February 2009</i>	(56)	(118)	-	(46)	(56)	(72)
Unrealised gains on investments revalued every year	(56)	(118)	-	(46)	(56)	(72)
	(56)	(118)	-	(46)	(56)	(72)

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

10. Other financial investments

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<i>At market value</i>						
Debt securities and other fixed-income securities	16,234	31,079	14,416	30,217	1,818	862
Shares and other variable-yield securities and unit trusts	3,926	1,442	2,902	-	1,024	1,442
<i>Total investments at market value</i>	20,160	32,521	17,318	30,217	2,842	2,304
<i>At cost</i>						
Debt securities and other fixed-income securities	16,251	30,790	14,360	29,985	1,891	805
Shares and other variable-yield securities and unit trusts	6,131	1,096	5,005	-	1,126	1,096
<i>Total investments at cost</i>	22,382	31,886	19,365	29,985	3,017	1,901
<i>Included in the carrying values above are amounts in respect of listed investments as follows:</i>						
Debt securities and other fixed-income securities	11,221	9,024	10,449	8,436	772	588
Shares and other variable-yield securities and units in unit trusts	3,527	742	2,902	-	625	742
<i>Total listed investments</i>	14,748	9,766	13,351	8,436	1,397	1,330

11. Claims outstanding

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<i>Open years</i>						
Claims	63,107	39,440	56,505	36,808	6,602	2,632
Reinsurance recoveries	(57,070)	(35,615)	(50,975)	(33,247)	(6,095)	(2,368)
<i>Net claims provision for open years</i>	6,037	3,825	5,530	3,561	507	264
<i>Closed years</i>						
Claims	34,321	53,890	33,822	53,452	499	438
Reinsurance recoveries	(32,026)	(52,056)	(31,577)	(51,659)	(449)	(397)
<i>Net claims provision for closed years</i>	2,295	1,834	2,245	1,793	50	41
<i>Total</i>						
Claims	97,428	93,330	90,327	90,260	7,101	3,070
Reinsurance recoveries	(89,096)	(87,671)	(82,552)	(84,906)	(6,544)	(2,765)
<i>Net claims provision</i>	8,332	5,659	7,775	5,354	557	305

12. Debtors arising out of direct insurance operations

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Members	20,027	18,059	19,317	17,581	710	478
Intermediaries	27	4	4	4	23	-
Reinsurers	1	-	1	-	-	-
<i>Debtors arising out of direct insurance operations</i>	20,055	18,063	19,322	17,585	733	478

13. Contingency reserve

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Balance at beginning of year	10,305	5,188	9,805	5,563	500	(375)
Transfer from/(to) non-technical account	5,443	5,117	5,623	4,242	(180)	875
<i>Balance on contingency reserve at end of the year</i>	15,748	10,305	15,428	9,805	320	500

14. Movement in prior year's provision for claims outstanding

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<i>(Deterioration)/improvement in respect of prior years</i>	(777)	(1,192)	(802)	(1,151)	25	(41)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Portfolio investments

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Purchase of fixed-income securities	55,954	31,766	53,202	31,314	2,752	452
Purchase of equities	30	30	-	-	30	30
Sale of fixed-income securities	(66,260)	(22,558)	(64,515)	(22,558)	(1,745)	-
<i>Net cash flow on portfolio investments</i>	(10,276)	9,238	(11,313)	8,756	1,037	482

16. Movements in cash, portfolio investments and financing

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<i>Cash at bank and in hand</i>						
Balance at 21 February 2008	10,265	4,674	9,326	3,626	939	1,048
Cash flow	1,836	5,591	959	5,700	877	(109)
<i>Balance at 20 February 2009</i>	12,101	10,265	10,285	9,326	1,816	939
<i>Fixed-income securities</i>						
Balance at 21 February 2008	31,079	21,809	30,217	20,756	862	1,053
Cash flow	(10,306)	9,208	(11,313)	8,756	1,007	452
Changes to market value	(4,539)	62	(4,488)	705	(51)	(643)
<i>Balance at 20 February 2009</i>	16,234	31,079	14,416	30,217	1,818	862
<i>Equities</i>						
Balance at 21 February 2008	1,442	785	-	-	1,442	785
Cash flow	30	30	-	-	30	30
Changes to market value	2,454	627	2,902	-	(448)	627
<i>Balance at 20 February 2009</i>	3,926	1,442	2,902	-	1,024	1,442

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

	Total		Class 1 - P&I		Class 2 - Defence	
	2009	2008	2009	2008	2009	2008
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Excess/(shortfall) of income over expenditure before tax	5,162	6,014	5,368	5,125	(206)	889
Gains arising on realisation of investments	(793)	(959)	(694)	(959)	(99)	-
Losses arising on realisation of investments	20	98	1	98	19	-
Unrealised losses on revaluation of investments	2,857	173	2,279	156	578	17
Decrease/(increase) in debtors	2,451	(19,077)	2,709	(18,611)	(258)	(466)
Increase in net claims provision	2,673	1,804	2,421	1,519	252	285
(Decrease)/increase in creditors	(20,147)	27,098	(21,810)	27,426	1,663	(328)
<i>Net cash flow from operating activities</i>	(7,777)	15,151	(9,726)	14,754	1,949	397

18. Rates of exchange

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

19. Ultimate parent undertaking

The ultimate parent undertaking of the Company is The Standard Steamship Owners' Protection & Indemnity Association (Bermuda) Limited, a company registered in Bermuda. Group accounts are available from the parent undertaking's registered office: Burnaby Building, 16 Burnaby Street, PO Box HM1743, Hamilton HMGX, Bermuda. A parental guarantee exists to ensure that the Company is able to meet its liabilities as they fall due.