
THE
STRIKE
CLUB

The Shipowners' Mutual Strike Association (Bermuda) Limited

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED

31 January 2011

Independent Auditors' Report

To The Members
The Shipowners' Mutual Strike Association (Bermuda) Limited
and Subsidiary

We have audited the accompanying consolidated financial statements of The Shipowners' Mutual Strike Association (Bermuda) Limited and subsidiary, which comprises the consolidated statement of financial position as at January 31, 2011, the consolidated statement of comprehensive income, the related consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Shipowners' Mutual Strike Association (Bermuda) Limited and subsidiary as at January 31, 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Ltd.

July 1, 2011

The Shipowners' Mutual Strike Association (Bermuda) Limited
Consolidated Statement of Financial Position as at 31 January 2011

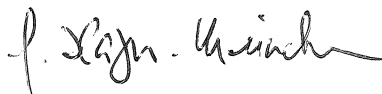
	Notes	2011 USD 000's	Restated * 2010 USD 000's
ASSETS			
Financial Assets	2(f)&10	23,282	22,986
Loans to Associated Companies	12	2,000	2,000
Debtors and other receivables		8,517	8,815
Recoverable from Reinsurers and others	4	20,171	18,421
Reinsurers share of Unearned Premiums	4	4,315	5,754
Deferred discounts		842	1,001
Cash and cash equivalents	2(i)&9	5,573	10,560
		64,700	69,537
FUND AND LIABILITIES			
Statutory Reserve Fund		1,000	1,000
Members' Funds	8	19,456	19,578
Unearned Premium Reserve	2(d)&3	6,227	6,784
Balances payable to Associated Companies	13	9,313	11,728
Creditors and other payables	13	28,704	30,447
		64,700	69,537

*Certain amounts shown here do not correspond to the 2010 financial statements and reflect adjustments made as detailed in note 2(a)

C. Los
 President and Chairman

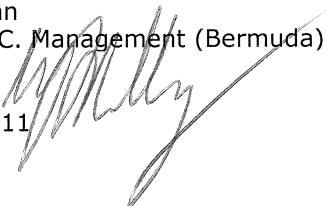


J. Hagn Meincke
 Vice President and Vice Chairman



W. J. Milligan
 Director, S.C. Management (Bermuda) Ltd, Managers

June 30, 2011



The Shipowners' Mutual Strike Association (Bermuda) Limited
Consolidated Statement of Changes in Equity
For the year ended 31 January 2011

	Notes	2011 Total USD 000's	2010 Total USD 000's
Statutory Reserve Fund at the beginning of the year		1,000	1,000
Increase of Statutory reserve		0	0
Statutory Reserve Fund at the end of the year	12	1,000	1,000
Members' Funds at the beginning of the year		19,578	19,541
Increase / (Decrease) in the Insurance Fund from ordinary activities		(60)	59
Other comprehensive income	10	(62)	(22)
Total comprehensive income		(122)	37
Members' Funds at the end of the year	8	19,456	19,578

* Compliant with IAS 1R

The Shipowners' Mutual Strike Association (Bermuda) Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 January 2011

	Notes	2011 Total USD 000's	2010 Total USD 000's
INSURANCE RESULT			
Strike and Delay Calls and Premiums		20,026	16,404
Fixed Business Premiums		<u>20,328</u>	<u>25,655</u>
Net earned premiums	2(d)&3	40,354	42,059
Reinsurance Premium	4	(1,775)	(1,129)
Fixed Business Reinsurance Premium	4	<u>(14,494)</u>	<u>(18,073)</u>
		(16,269)	(19,202)
Net Calls and Premiums		<u>24,085</u>	<u>22,857</u>
Claims	2(g)&5	(15,688)	(13,648)
Insurance Result		<u>8,397</u>	<u>9,209</u>
OPERATING EXPENSES			
Operating Expenses	2(h)&6	4,533	4,507
Fixed Business discounts		3,809	4,395
Net Insurance Result after Operating Expenses		<u>55</u>	<u>307</u>
FINANCIAL INCOME			
Interest and coupons	10	349	534
Gain on Sale of Investments	2(f)	75	0
(Loss) on impairment		0	0
Investment Costs		<u>(105)</u>	<u>(122)</u>
Net Investment Income		319	412
(Loss) / Gain on Exchange	2(e)	(434)	(660)
Net Financial (Loss) / Income		<u>(115)</u>	<u>(248)</u>
Increase / (Decrease) in the Insurance Fund from ordinary activities		<u>(60)</u>	<u>59</u>
OTHER COMPREHENSIVE INCOME			
(Decrease) / Increase in the Revaluation Reserve		(62)	(26)
Movement on revaluation reserve from sale of Financial Assets		<u>0</u>	<u>4</u>
Other comprehensive income		<u>(62)</u>	<u>(22)</u>
Total comprehensive income		<u>(122)</u>	<u>37</u>

* Compliant with IAS 1R

The Shipowners' Mutual Strike Association (Bermuda) Limited
Consolidated Statement of Cash Flows
For the year ended 31 January 2011

Cash Flows From Operating Activities	2011	2010
	USD 000's	USD 000's
<i>Cash Inflows</i>		
Insurance Calls & Premiums received net of returns	20,062	28,414
Reinsurance Recoveries	13,971	10,947
Current Account Associated Companies	<u>2,590</u>	<u>4,346</u>
	36,623	43,707
<i>Cash Outflows</i>		
Reinsurance Premiums	(17,952)	(20,832)
Gross Claims paid	(12,437)	(12,692)
Other cash payments	<u>(10,832)</u>	<u>(10,893)</u>
	(41,221)	(44,417)
<u>Net cash (outflow) inflow from Operating Activities</u>	<u>(4,598)</u>	<u>(710)</u>
Cash Flows From Investing Activities		
<i>Cash Inflows</i>		
Interest received	633	733
Sale of Investments	<u>7,152</u>	<u>18,581</u>
	7,785	19,314
<i>Cash Outflows</i>		
Purchase of Investments	<u>(7,843)</u>	<u>(26,822)</u>
	(7,843)	(26,822)
<u>Net cash (outflow) inflow from Investing Activities</u>	<u>(58)</u>	<u>(7,508)</u>
Net cash (outflow) inflow	(4,656)	(8,218)
Opening cash and cash equivalents	10,560	18,393
Effect of Exchange rate movement	(331)	385
<u>Closing cash and cash equivalents carried forward</u>	<u>5,573</u>	<u>10,560</u>

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2011**

1. Structure of the Association

"The Strike Club" or "the Group", consist of The Shipowners' Mutual Strike Insurance Association (Bermuda) Limited ("Strike Bermuda"), The Shipowners' Mutual Strike Insurance Association Europe ("Strike Europe"), The Shipowners' Mutual Strike Association (Bermuda) Limited ("Strike Association Bermuda"), together with its wholly owned subsidiary, The Strike Club (Investment Holding) Company Establishment, (Vaduz). Strike Europe, incorporated in Luxembourg with its registered office at 74 Rue de Merl, Luxembourg, insures certain members based in the EU and EAA.

The members of Strike Europe and Strike Bermuda are members of Strike Association Bermuda which conducts insurance and reinsurance operations and writes war risk and loss of earnings business on a fixed premium basis. Strike Europe and Strike Bermuda are non-voting members of Strike Association Bermuda. Strike Bermuda and Strike Association Bermuda have their registered offices at Crawford House, 50 Cedar Avenue, Hamilton, Bermuda.

There is a tripartite agreement between the parties which provides that Strike Bermuda and Strike Europe pursue an identical policy for the levying and rating of calls and that claims be dealt with in a consistent and uniform manner. A quota share reinsurance agreement has been entered into whereby these two direct insurers each reinsure the majority of their insurance liability with the reinsurer. In accordance with the rules, the liability of the members is limited to advance, interim and closing calls set by the directors.

The consolidated financial statements for the year ended 31 January 2011 include the financial statements of Strike Association Bermuda consolidated with its wholly owned subsidiary, The Strike Club (Investment Holding) Company Establishment, (Vaduz), incorporated in Liechtenstein. These consolidated accounts were authorised for issue in accordance with a resolution of the directors on the 30 June 2011.

Combined financial statements for the Strike Club economic grouping are separately produced in order to show the financial position of The Strike Club.

2. Accounting Policies

(a) Basis and currency of presentation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared on an historical cost basis except for available for sale investments and the accounting policies are consistent with those of the previous financial year, except for the restatement described below.

The following new and amended IFRS and IFRIC interpretations were applicable for the first time during the year but had no material effect on the consolidated financial statements.

- ▶ IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010
- ▶ IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5 IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- ▶ IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items effective 1 July 2009
- ▶ IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- ▶ Improvements to IFRSs (May 2008)
- ▶ Improvements to IFRSs (April 2009)

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2011**

Standards, amendments and interpretations issued but not yet effective up to the date of issuance of the consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

- ▶ IAS 24 Related Party Disclosures (Amendment)
- ▶ IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (Amendment)
- ▶ IFRS 9 Financial Instruments: Classification and Measurement
- ▶ IFRIC 14 Prepayments of a minimum funding requirement (Amendment)
- ▶ IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- ▶ Improvements to IFRSs (issued in May 2010)

The Group reporting and operating currency is the US dollar, which is the trading currency of the majority of the members. All values are rounded to the nearest thousand US dollars except when otherwise indicated.

During the period, Strike Association Bermuda decided to change its accounting policy to offset reinsurance recoveries for the fixed premium business against amounts due to the reinsurers: Strike Association Bermuda believes this policy reflects the substance of its reinsurance contracts and results in the financial statements providing more relevant information about the effects of transactions.

Changes have been applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, resulting in the restatement of prior year financial information.

As of and for the year ended 31 January 2011:

- 'Recoverable from reinsurers and others' decreased by: \$2,271,000
- 'Creditors and other payables' decreased by: \$2,271,000
- Net effect on the Consolidated Statement of Comprehensive Income: \$ nil

As of and for the year ended 31 January 2010:

- 'Recoverable from reinsurers and others' decreased by: \$684,000
- 'Creditors and other payables' decreased by: \$684,000
- Net effect on the Consolidated Statement of Comprehensive Income: \$ nil

(b) Consolidation

The consolidated financial statements include the accounts of Strike Association Bermuda and its wholly owned subsidiary, The Strike Club Investment Holding Company Establishment, a company incorporated in Liechtenstein. The scope of consolidation does not cover the independent management companies. The financial statements of all group companies are prepared for the same reporting year using consistent policies.

(c) Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(d) Calls & premiums and returns

Calls and premiums include advance, interim and closing calls, net of any bad debts. They are credited to the Consolidated Statement of Comprehensive Income in the current financial year if notified to members before approval of the financial statements by the directors. Returns are debited in the accounting period to which they relate. Premiums comprise the total premiums due in respect of contracts entered into during the accounting year regardless of the period of cover. Provision is made for unearned premiums and movements on the reserve for unearned premiums are reflected in the Consolidated Statement of Comprehensive Income. Unearned premiums are calculated by reference to individual policy dates pro rata temporis.

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2011**

(e) Foreign currencies

Assets and liabilities in foreign currencies have been translated to US dollars at the appropriate rates of exchange ruling at the year end. Transactions in foreign currencies are recorded in US dollars at the exchange rate ruling at the date of the transaction. Net exchange differences on financial assets, cash and cash equivalents are separately identified in the Consolidated Statement of Comprehensive Income.

(f) Financial assets

Financial assets held in available for sale portfolios are stated at fair value in the consolidated financial statements. On realisation the proceeds are set against cost on a FIFO basis and the resulting profit or loss taken to the Consolidated Statement of Comprehensive Income. These investments, held in independently managed portfolios, are considered as long term assets. A gain or loss arising from a change in the fair value of the portfolio is recognized directly in equity until the financial asset is sold, collected or otherwise disposed of, or until the financial asset is determined to be impaired.

If there is objective evidence that an available for sale asset is impaired, the cumulative net loss that had been recognised directly in equity is removed from equity and recognised in net profit or loss for the period. The amount of the loss removed from equity and reported in net profit or loss is the difference between its acquisition cost and current fair value, less any impairment loss on that asset previously recognised in net profit or loss. If, in a subsequent period, the fair value or recoverable amount of the financial asset carried at fair value increases and the increase can be objectively related to an event occurring after the loss was recognised in net profit or loss, the loss is reversed.

Held to maturity investments are purchased under a buy and hold strategy. The Group has the intention and ability to hold these investments until their redemption date. These investments are reported in the Consolidated Statement of Financial Position at amortised cost with the amount of the difference between their acquisition cost and redemption value (the discount or premium on acquisition) amortised over the period from acquisition to maturity.

In all cases purchases are accounted for using the settlement date.

(g) Claims

Claims and related expenses, including internal claims handling costs, are included in the Consolidated Statement of Comprehensive Income on an accruals basis, including the expected total cost of claims incurred but not approved and claims incurred but not reported (IBNR). Changes in estimated outstanding claims are included in the Consolidated Statement of Comprehensive Income in the period in which they arise.

(h) Operating expenses

Operating expenses include acquisition costs, general management fees and administration expenses. Acquisition costs comprise brokerage and commissions directly attributable to the processing of proposals and the issuing of policies. Management fees are allocated to claims, acquisition, financial and general management functions on the basis of salaries.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits, with an original maturity of three months or less, held with recognised financial institutions, and money market funds traded on recognised international exchanges.

(j) Cash flow statement

In determining the cash flows, the direct method is used whereby major classes of gross cash receipts and gross cash payments are disclosed.

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011

3. Calls and Premiums

Net earned premiums can be detailed as follows:

	2011 USD 000's	2010 USD 000's
Strike and delay cover		
Advance calls quota share	17,406	13,134
Closing calls quota share	2,620	3,270
	-----	-----
Strike and delay calls and premiums	20,026	16,404
Fixed premium business	20,328	25,655
	-----	-----
Net earned premiums	<u>40,354</u>	<u>42,059</u>

The mutual strike and delay cover is coterminous with the financial year end. This cover is provided under the rules of the Associations as agreed by the mutual members. The current rulebook is available from the Club's managers and on the website.

War risks and loss of earnings risks policies are individually contracted with insureds and have various termination dates, some of which may be up to 18 months from inception. Provision is made for the unearned portion of the premiums on a strict time basis. The risks are reinsured with companies and markets with strong security ratings.

4. Insurance risks and Recoverable from Reinsurers and Others

The strike and delay risks covered by Strike Association Bermuda are short tail. Strike Association Bermuda's experience is that certain events, such as a national strike, may lead to aggregation of claims. A claim on the war risks policy could also be material. In order to protect members' funds, Strike Association Bermuda together with its associated companies has entered into reinsurance agreements to provide coverage protecting against major incidents in all classes and certain specific risks. The policies which cover the period are each & every event, excess of loss or facultative. Reinsurance is provided by companies and markets with strong security ratings.

For loss of earnings claims may be notified, in certain circumstances, up to two years following the termination of the contract of insurance. Loss of earnings risks are covered by a comprehensive reinsurance package including quota share, excess of loss and stop loss policies.

An amount of \$20,171,000 is outstanding from reinsurers at year end (2010: \$18,421,000 restated as disclosed in note 2(a)), which corresponds to a recovery for claims in relation to fixed risks.

The reinsurance on the unexpired unearned fixed premiums is \$4,315,000 (2010: \$5,754,000).

All amounts are due within less than 24 months.

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011

5. Claims

Strike Association Bermuda has entered into a quota share reinsurance agreement with its associated companies as disclosed in note 1. Transactions in the period were as follows:

	2011 USD 000's	2010 USD 000's
Amounts under quota share agreements with associated companies and expenses	28,921	23,643
Increase in estimated outstanding claims	3,417	4,744
Reinsurance recoveries	(17,723)	(15,841)
Claims handling costs (note 7)	1,073	1,102
	-----	-----
Total claims	<u>15,688</u>	<u>13,648</u>

For the strike and delay provision, the movement in estimated outstanding claims is included in the balances with associated companies.

For loss of earnings risks, provision is made for IBNR in accordance with industry practice as explained in note 13.

6. Operating Expenses

Operating expenses can be detailed as follows:

	2011 USD 000's	2010 USD 000's
Management fee (note 7)	3,599	3,698
Directors fees	67	74
Travelling and meeting expenses	212	255
Directors and officers insurance	6	6
Legal and professional fees	411	205
Audit fees	86	87
Advertising, printing and stationery	94	109
Taxation	29	26
Other costs	29	47
	-----	-----
Total operating expenses	<u>4,533</u>	<u>4,507</u>

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011

7. Management Fees

The fee charged by the managers is shown below. Fees cover the cost of providing offices, staff and administration for operations. The basis of this remuneration is reviewed periodically and fixed by the directors.

The fee is apportioned across three functions, which are included in the accounts as follows:

	2011 USD 000's	2010 USD 000's
Acquisition costs	1,399	1,438
Financial and general	2,200	2,260
	-----	-----
Management fees in net operating expenses	3,599	3,698
Claims handling costs	1,073	1,102
	-----	-----
	<u>4,671</u>	<u>4,800</u>

8. Members Funds

The balance of the members funds of \$19,456,000 (2010: \$19,578,000) comprises the accumulated excess of recorded income over claims and expenses for all policy years to date.

Any surplus on members funds may, at the discretion of the directors, be retained and applied for the purposes of the Strike Association Bermuda.

Members' funds represent the retained capital of the Group and are used for solvency and technical reserves. These funds are invested in a prudent manner. There are statutory requirements in Bermuda where Strike Association Bermuda is licensed, which require minimal levels of capital and solvency. The Board regularly reviews the level of reserves in relation to the business underwritten.

9. Cash and Cash Equivalents

	2011 USD 000's	2010 USD 000's
Cash at bank and in hand	5,158	6,866
Call deposits	415	2,635
Money market funds	-	1,059
	-----	-----
	<u>5,573</u>	<u>10,560</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011

10. Financial Assets

	HTM	AFS	2011 USD 000's	HTM	AFS	2010 USD 000's
Financial assets available for sale at quoted market price:						
Funds of hedge funds	-	67	67	-	147	147
Equities	-	-	-	-	81	81
	-	67	67	-	228	228
Long term held to maturity securities at amortised cost:						
Corporate bonds	23,215	-	23,215	22,758	-	22,758
Total	23,215	67	23,282	22,758	228	22,986
The above bonds comprise:						
Fixed rate	16,909	-	16,909	15,318	-	15,318
Floating rate	5,779	-	5,779	6,905	-	6,905
Inflation linked	527	-	527	535	-	535
Cost of financial assets	-	78	78	-	1,188	1,188
Market value of assets	23,426	-	23,426	22,796	-	22,796

Financial assets available for sale at quoted market price

The Association has investments in funds of hedge funds and listed equities. The fair values of available for sale assets are derived from quoted market prices in active markets, if available.

Fair value hierarchy

At 31 January 2011, the Group uses the following hierarchy for determining and disclosing the fair value of its financial instruments:

Level 1: quoted unadjusted prices in active markets

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value:	Level 1	Level 2	Level 3	2011 USD 000's
Funds of hedge funds	-	-	67	67

During the reporting period ending 31 January 2011, there were no transfers between levels.

Impairment on available for sale financial investments

For the available for sale investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. Objective evidence includes a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011

Maturity of HTM Bonds	Total 2011 \$ 000's	Total 2010 \$ 000's
Within one year	6,927	6,533
Greater than one year less than two years	5,750	6,594
Greater than two years less than three years	5,917	5,548
Greater than three years less than four years	4,621	3,550
Greater than four years less than five years	-	533
	23,215	22,758

Income from financial assets	HTM \$ 000's	AFS \$ 000's	Total 2011 \$ 000's	HTM \$ 000's	AFS \$ 000's	Total 2010 \$ 000's
Cash interest	1		1	-	127	127
Coupons from HTM securities	346	-	346	407	-	407
Coupons from AFS securities	-	2	2	-	0	0
	347	2	349	407	127	534

An accumulated negative movement on revaluation reserve for available for sale assets, amounting to \$4,000 has been reversed and taken to the profit and loss account during the year (2010: accumulated loss amounting to \$4,000). The amount results from the sale of fund of hedge fund investments.

Rating of HTM securities

	31.01.2011	31.01.2010
AAA	30%	24%
AA	26%	30%
A	44%	45%
BB/BBB	0%	1%

The nominal rates of interest accruing on the bond holdings range from 0.313% to 7.30%.

At 31 January 2011, the Group uses the following hierarchy for determining and disclosing the fair value of its financial instruments:

Level 1: quoted unadjusted prices in active markets

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011

Assets measured at fair value :	Level 1	Level 2	Level 3	2011 \$ 000's
Funds of hedge funds		-	67	67
Supranational bonds	2,008	-	-	2,008
Total	<u>2,008</u>	<u>-</u>	<u>67</u>	<u>2,075</u>

During the reporting period ending 31 January 2011, there were no transfers between levels.

Impairment on available for sale financial investments

For the available for sale investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. Objective evidence includes a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

11. Financial Risk Management

Framework

The Group has an audit committee, which has been appointed by the board of directors, to review, amongst other items, the risk management functions of the Associations.

The risk evaluation consists of the identification of key risks, their consequence and likelihood and the strengths and weaknesses of the controls related to them. A partial evaluation of the risk management parameters is carried out twice yearly with a full review and analysis presented to the audit committee on an annual basis.

Financial risk management

The Strike Club's principal financial instruments comprise bonds, fund of hedge funds, money market funds, short-term deposits and cash. The main purpose of these financial instruments is to finance the Group's activities. The Group is exposed to exchange rate risk, interest rate risk, credit risk and liquidity risk. The Strike Club's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The risk management policies employed by the Group to manage these risks are discussed below.

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices, and foreign currency exchange rates. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, the main one being to the Euro. The Group does not hedge foreign exchange exposures and does not use derivative contracts.

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011

The Group has calculated that a 10% appreciation of the US dollar against major currencies at 31 January 2011 would increase members funds by approximately \$350,000 due to revaluation of financial instruments, with a 10% depreciation resulting in a \$350,000 decrease. There were no other significant currency exposures at 31 January 2011.

Interest rate risk

The Group is not subject to interest rate fluctuations other than in relation to bonds. The portfolio of bonds is spread over one to five years to ensure replacement risk is minimised and the majority of bond holdings are on a buy and hold basis. For fixed rate bonds, the contribution to the income of the Group does not vary with the market rate of interest and so interest rate variation is not material to the accounts. For floating rate bonds, interest rates are reset at regular intervals based on market rates and so the Group is exposed to interest rate fluctuations. The Group has calculated that a 1% increase in US LIBOR at 31 January 2011 would increase Group income by approximately \$80,000 in the following year.

Credit risk

Besides financial investments and given the nature of its activity, the Group is only exposed to credit risk on receivables from members and insureds. The managers estimate that the Group exposure to default credit risk is low. The ageing of Group receivables is as follows:

	Neither past due nor impaired	0-6 mths	6-12 mths	Over 12 mths	Carrying value
Debtors and other receivables	66%	30%	2%	2%	8,517
Recoverable from reinsurers and others	100%	0%	0%	0%	<u>20,171</u>
31 January 2011					<u>28,688</u>
Debtors and other receivables	56%	21%	11%	12%	8,815
Recoverable from reinsurers and others *	100%	0%	0%	0%	<u>18,421</u>
31 January 2010					<u>27,236</u>

* 2010 has been restated as disclosed in note 2(a).

The historical level of default is minimal and the credit quality of year end receivables is considered to be high. Where individual receivables cannot be collected an impairment provision is made. Additionally, statistical methodology has been used to create a doubtful debt provision and the managers have based their estimates on the ageing of accounts receivable balances:

	2011 \$ 000's	2010 \$ 000's
Opening doubtful debt provision	85	25
Increase during the year	19	61
Subsequent recoveries of amounts provided for	(88)	0
Amounts written off	(1)	(1)
	-----	-----
Closing doubtful debt provision	<u>15</u>	<u>85</u>

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011

Liquidity risk

Strike Association Bermuda investments are relatively short term and liquid thus limiting liquidity risk. The following table outlines the expected liquidity in relation to Strike Association Bermuda financial instruments.

	2011 \$ 000's	2010 \$ 000's
Receivables and other financial assets		
Debtors and other receivables	8,517	8,815
Recoverable from Reinsurers and others *	20,171	18,421
Deferred reinsurance	4,315	5,754
Deferred discounts	842	1,001
	-----	-----
	<u>33,845</u>	<u>33,991</u>
 Due within 12 months	 <u>33,845</u>	 <u>33,991</u>
 Fund and liabilities		
Unearned premium reserve	6,227	6,784
Balances with associated companies	9,313	11,728
Creditors *	28,704	30,447
	-----	-----
	<u>44,244</u>	<u>48,959</u>
 Expected to be settled within 12 months	 43,342	 48,704
Expected to be settled within 24 months	902	255
	-----	-----
	<u>44,244</u>	<u>48,959</u>

* 2010 has been restated as disclosed in note 2(a).

Insurance Risk Management

The Strike Club covers defined risks on a mutual basis for strike and delay and on a fixed premium basis for war risks and loss of earnings risks. The strike and delay premiums are sensitive to foreign exchange rates, daily entered amounts, the position of the freight market and to the general claims environment. Risk concentrations are determined by review of the impact of a given event such as a nationwide strike or the closure of a significant port or waterway. Strike and delay claims are dependent on the daily entered amounts and the general claims environment worldwide.

Loss of earnings risks premiums are sensitive to changes in daily entered amounts, claims frequencies and rates in the marine market. Loss of earnings is offered on a selective basis to insureds whose profiles have been predetermined in conjunction with the board. The profiles take into account the type and age of the vessels, previous loss records and the reputation of the insured. Cover is offered up to \$2.25 million and there are substantial reinsurances in place to ensure that the retained risk is within acceptable parameters. Loss of earnings accounts come from the Strike Club's traditional markets.

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011

War risks premiums are dependent on the general reinsurance rates for this business, the vessel values and the geo-political situation. War casualties tend to be of relatively low frequency but of high severity, so the risks are mitigated through comprehensive reinsurances.

New products will only be introduced after review by the board of directors.

Reinsurances are placed in the Lloyd's market, or with reinsurers rated A or better, through recognised reinsurance brokers. For the most part, reinsurances are placed annually and are agreed by the board of directors.

12. Subordinated Loans to Associated Companies

Subordinated loans of \$ 2 million are due from Strike Bermuda and Strike Europe in the amount of \$ 1 million each. These amounts are repayable on demand, subject to all other debts of the Associations.

13. Creditors and other payables

	2011	2010
	\$ 000's	\$ 000's
Amounts due in respect of insurance and reinsurance contracts *13,941	16,539	
Estimated outstanding claims loss of earnings	11,946	9,873
Estimated outstanding claims war risks	2,230	3,727
Insurance accruals	456	204
Other expense provisions	131	104
	-----	-----
Total creditors	<u>28,704</u>	<u>30,447</u>

* 2010 has been restated as disclosed in note 2(a).

Estimated outstanding claims for strike and delay of \$7,583,000 (2010: \$4,743,000) are included in balances with associated companies.

Claims are assessed on a case by case basis and provision is made for the expected liability as calculated at the time based on the claim by the member or insured. The claims provision is further complemented with a provision for IBNR. These assessments are made taking into account the risk of further claims and potential claims deterioration. This is carried out taking into account the type of fleets covered and expected claims experience against current claims experience. In the early years of operation for loss of earnings risks it has been assumed that the claims provisions will result in a nil technical margin.

14. Commitments

At 31 January 2011 the Group has no commitments (2010: NIL).

15. Post Balance Sheet Events

There have been no events arising since the balance sheet date that would have a material effect on these financial statements.

The Shipowners' Mutual Strike Association (Bermuda) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011

16. Exchange Rates

The following rates of exchange were applicable at 31 January 2011 and 2010:

	2011 \$ 1 equals	2010 \$ 1 equals
Australian dollar	0.9933	1.1250
Canadian dollar	0.9985	1.0655
Danish krone	5.4708	5.3570
Euro	0.7339	0.7195
Japanese yen	82.2900	90.6550
New Zealand dollar	1.2924	1.4184
Norwegian krone	5.8082	5.8936
Pound sterling	0.6312	0.6241
Swedish krona	6.5033	7.3414
Swiss franc	0.9420	1.0541

The Shipowners' Mutual Strike Association (Bermuda) Limited
Consolidated Statement of Financial Position as at 31 January 2011
By Class

	Class I	Class II	Class III	Fixed Business	2011 Total	Restated * 2010 Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
ASSETS						
Financial Assets	7,450	2,561	13,271	0	23,282	22,986
Loans to Associated Companies	808	400	792	0	2,000	2,000
Debtors and other receivables	25	9	44	8,439	8,517	8,815
Recoverable from Reinsurers and others	0	0	0	20,171	20,171	18,421
Deferred reinsurance	0	0	0	4,315	4,315	5,754
Deferred discounts	0	0	0	842	842	1,001
Class accounts	(3,411)	0	0	3,411	0	0
Cash and cash equivalents	994	49	1,498	3,032	5,573	10,560
	5,866	3,019	15,605	40,210	64,700	69,537
FUND AND LIABILITIES						
Statutory Reserve Fund	564	189	247	0	1,000	1,000
Members' Funds	(2,802)	6,817	9,704	5,737	19,456	19,578
Unearned Premium Reserve	0	0	0	6,227	6,227	6,784
Balances payable to Associated Companies	7,972	(4,033)	5,419	(45)	9,313	11,728
Creditors and other payables	132	46	235	28,291	28,704	30,447
	5,866	3,019	15,605	40,210	64,700	69,537

This page does not form part of the audited financial statements.

*Certain amounts shown here do not correspond to the 2010 financial statements and reflect adjustments made as detailed in note 2

The Shipowners' Mutual Strike Association (Bermuda) Limited
Consolidated Statement of Changes in Equity
For the year ended 31 January 2011
By class

	Class I USD 000's	Class II USD 000's	Class III USD 000's	Fixed Business USD 000's	2011 Total USD 000's	2010 Total USD 000's
Statutory Reserve Fund at the beginning of the year	564	189	247	0	1,000	1,000
Increase of Statutory reserve	0	0	0	0	0	0
Statutory Reserve Fund at the end of the year	564	189	247	0	1,000	1,000
Members' Funds at the beginning of the year	(941)	7,289	8,982	4,248	19,578	19,541
(Decrease) / Increase in the Insurance Fund from ordinary activities	(1,848)	(453)	752	1,489	(60)	59
Other comprehensive income	(13)	(19)	(30)	0	(62)	(22)
Total comprehensive income	(1,861)	(472)	722	1,489	(122)	37
Members' Funds at the end of the year	(2,802)	6,817	9,704	5,737	19,456	19,578

* Compliant with IAS 1R

This page does not form part of the audited financial statements.

The Shipowners' Mutual Strike Association (Bermuda) Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 January 2011
By Class

	Class I USD 000's	Class II USD 000's	Class III USD 000's	Fixed Business USD 000's	2011 Total USD 000's	2010 Total USD 000's
INSURANCE RESULT						
Strike and Delay Calls and Premiums	8,092	1,129	10,805	0	20,026	16,404
Fixed Business Premiums	0	0	0	20,328	20,328	25,655
Net earned premiums	8,092	1,129	10,805	20,328	40,354	42,059
Reinsurance Premium	(893)	(240)	(642)	-	(1,775)	(1,129)
Fixed Business Reinsurance Premium	-	-	-	(14,494)	(14,494)	(18,073)
Net reinsurance premiums	(893)	(240)	(642)	(14,494)	(16,269)	(19,202)
Net Calls and Premiums	7,199	889	10,163	5,834	24,085	22,857
Claims	(7,701)	(912)	(7,030)	(45)	(15,688)	(13,648)
Insurance Result	(502)	(23)	3,133	5,789	8,397	9,209
OPERATING EXPENSES						
Operating Expenses	1,371	471	2,441	250	4,533	4,507
Fixed Business discounts	-	-	-	3,809	3,809	4,395
Net Insurance Result after Operating Expenses	(1,873)	(494)	692	1,730	55	307
FINANCIAL INCOME						
Interest and coupons	70	112	167	-	349	534
Gain on Sale of Financial Assets	15	24	36	-	75	0
(Loss) on impairment	-	-	-	-	-	0
Investment Costs	(21)	(34)	(50)	-	(105)	(122)
Net Investment Income	64	102	153	-	319	412
(Loss) / Gain on Exchange	(39)	(61)	(93)	(241)	(434)	(660)
Net Financial (Loss) / Income	25	41	60	(241)	(115)	(248)
Increase / (Decrease) in the Insurance Fund from ordinary activities	(1,848)	(453)	752	1,489	(60)	59
OTHER COMPREHENSIVE INCOME						
(Decrease) / Increase in the Revaluation Reserve	(13)	(19)	(30)	0	(62)	(26)
Movement on revaluation reserve from sale of Financial Assets	0	0	0	0	0	4
Other comprehensive income	(13)	(19)	(30)	0	(62)	(22)
Total comprehensive income	(1,861)	(472)	722	1,489	(122)	37

* Compliant with IAS 1R

This page does not form part of the audited financial statements