

**THE SHIPOWNERS' MUTUAL STRIKE
INSURANCE ASSOCIATION EUROPE**

**74, rue de Merl
L-2146 Luxembourg
R.C.S. Luxembourg B 50.025**

**Annual accounts
31 January 2011**

and

Independent auditor's report

Table of contents

	Pages
Directors' report	1
Independent auditor's report	2 - 3
Annual accounts	
- Balance sheet	4
- Profit and loss account	5 - 6
- Notes on the accounts	7 - 12

The Shipowners' Mutual Strike Insurance Association Europe
Registered Office: 74, RUE DE MERL, L-2146 LUXEMBOURG

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2011

To the Members of The Shipowners' Mutual Strike Insurance Association Europe

In accordance with our duties as Directors of The Shipowners' Mutual Strike Insurance Association Europe, we hereby submit the statutory accounts for the year ended 31 January 2011.

The technical account shows a deficit of \$2,155,902, with an overall deficit of \$2,803,434, compared with the year ended 2010 which produced a technical surplus of \$1,459,177 and an overall surplus of \$2,256,618.

Earned calls, before reinsurance, increased from \$15,032,251 in 2010 to \$15,745,913 in 2011 but during the same period gross claims rose significantly from \$8,186,359 in 2010 to \$12,800,222 in 2011, which has led to the reinsurance arrangements being renegotiated for 2011/12.

While gross technical provisions increased from \$2,807,383 in 2010 to \$4,815,832 in 2011, there was protection from reinsurance and they increased by only \$301,267 after reinsurance was taken into account. Net of reinsurance, the claims in the technical account were \$1,497,724 in 2011, compared with \$1,075,360 in 2010.


The Shipowners' Mutual Strike Insurance Association Europe activity was in conformity with the one defined in the statutes.

The Shipowners' Mutual Strike Insurance Association Europe invested cautiously in 2011 and no derivative products were bought. The Shipowners' Mutual Strike Insurance Association Europe does not face abnormal price, credit, liquidity or treasury risks. The Shipowners' Mutual Strike Insurance Association Europe does not have any branch offices and did not incur any research and development expenses.

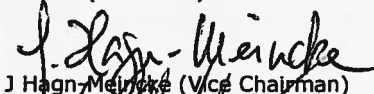
No events, nor decisions, of any importance that could have any influence on the continuation of the activities of The Shipowners' Mutual Strike Insurance Association Europe have occurred subsequently to year-end. Based on the elements in our possession, The Shipowners' Mutual Strike Insurance Association Europe should continue a positive development in 2012.

We propose that you approve the balance sheet and the statement of profit and loss as presented to you.

The Board of Directors
Luxembourg, (30 June 2011)



CN Los (Chairman)



J Hagn-Meuncke (Vice Chairman)



WJ Milligan (Director S.C. Management (Luxembourg) S.A., Managers)

Independent auditor's report

To the Board and Members of
The Shipowners' Mutual Strike Insurance Association Europe
Luxembourg

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated 4 November 2010, we have audited the accompanying annual accounts of The Shipowners' Mutual Strike Insurance Association Europe, which comprise the balance sheet as at 31 January 2011 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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 annual accounts give a true and fair view of the financial position of The Shipowners' Mutual Strike Insurance Association Europe as of 31 January 2011, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé



Jean-Marie GISCHER

Luxembourg, 1st July 2011

The Shipowners' Mutual Strike Insurance Association Europe
Société Anonyme

Balance sheet
31 January 2011
(expressed in USD)

ASSETS	2011	2010
Investments		
Other financial investments (Note 3)		
Debts securities and other fixed-income securities	2.008.000	2.541.073
Deposits with credit institutions	211.571	212.884
	-----	-----
	2.219.571	2.753.957
Reinsurers' share of technical provisions		
Provision for claims	4.091.217	2.384.035
Debtors		
Debtors arising out of direct insurance operations (Note 4)	344.091	563.248
Debtors arising out of reinsurance operations (Note 5)	---	4.398.324
	-----	-----
	344.091	4.961.572
Other assets		
Cash at bank and in hand	3.075.599	1.084.060
Prepayments and accrued income		
Accrued interest	---	1.208
Other prepayments and accrued income	4.006.510	3.399.176
	-----	-----
	4.006.510	3.400.384
	-----	-----
	13.736.988	14.584.008
	=====	=====

The accompanying notes form an integral part of these annual accounts.

LIABILITIES	2011	2010
Members' equity		
Surplus brought forward	8.425.875	6.169.258
Surplus for the financial year	(2.803.434)	2.256.618
	-----	-----
	5.622.441	8.425.876
Subordinated liabilities (Note 6)	1.000.000	1.000.000
Technical provisions		
Provision for claims	4.815.832	2.807.383
Creditors		
Creditors arising out of direct insurance operations	979.794	1.047.570
Creditors arising out of reinsurance operations (Note 7)	429.064	---
Other creditors, including tax and social security	112.506	108.812
	-----	-----
	1.521.364	1.156.382
Accruals and deferred income	777.351	1.194.367
	-----	-----
	13.736.988	14.584.008
	=====	=====

The Shipowners' Mutual Strike Insurance Association Europe
Société Anonyme

Profit and loss account
For the financial year ended 31 January 2011
(expressed in USD)

	2011	2010
Technical account for non-life-insurance business		
Earned calls and releases, net of reinsurance		
Calls and releases, gross (Note 8)	15.745.913	15.032.251
Outward reinsurance premiums	(14.271.888)	(10.583.430)
	1.474.025	4.448.821
Allocated investment return transferred from the non-technical account (Note 9)	207.546	273.105
Claims incurred, net of reinsurance		
Claims paid		
Gross amount	(12.800.221)	(8.186.359)
Reinsurers' share	11.603.764	6.922.629
	(1.196.457)	(1.263.730)
Change in the provision for claims		
Gross amount	(2.008.449)	1.255.804
Reinsurers' share	1.707.182	(1.067.434)
	(301.267)	188.370
	(1.497.724)	(1.075.360)
Net operating expenses		
Acquisition costs (Note 10)	(1.760.393)	(1.717.279)
Administrative expenses (Note 11)	(547.705)	(470.110)
	(2.308.098)	(2.187.389)
Balance on the technical account for non-life-insurance	(2.124.251)	1.459.177

The Shipowners' Mutual Strike Insurance Association Europe
Société Anonyme

Profit and loss account - continued
For the financial year ended 31 January 2011
(expressed in USD)

	2011	2010
Non-technical account		
Balance on the technical account for non-life-insurance	(2.124.251)	1.459.177
Investment income		
Income from other investments	191.239	1.149.399
Investment charges		
Investment management charges, including interest	(511.021)	(56.928)
Value adjustments on investments	---	312
Losses on realization of investments	(130.073)	---
Allocated investment return transferred to the non-life- insurance technical account (Note 9)	(207.546)	(273.105)
Tax on surplus on ordinary activities	(21.782)	(22.237)
	<hr/>	<hr/>
Surplus for the financial year	(2.803.434) =====	2.256.618 =====

The Shipowners' Mutual Strike Insurance Association Europe
Société Anonyme

Notes on the accounts
31 January 2011

Note 1 - General

The company was incorporated on 9 January 1995 in the form of a mutual insurance association under Luxembourg law with a fund of 1,000,000 U.S. Dollars (USD).

The company carries on insurance of miscellaneous financial loss.

The Association was set up as part of the restructuring of The Shipowners' Mutual Strike Reinsurance Association (Bermuda) Limited in order to avail a single European Insurance licence and to comply with European legislation. The Strike Club Group consists of this company, The Shipowners' Mutual Strike Insurance Association Europe together with two other Bermudan companies The Shipowners' Mutual Strike Reinsurance Association (Bermuda) and The Shipowners' Mutual Strike Insurance Association (Bermuda) Limited.

The Company is included in the consolidated financial statements of The Strike Club (a variable premium mutual association) which is the largest group of undertakings for which the Company form part of a subsidiary. The registered office of this undertaking is situated in Hamilton (Bermuda) and the consolidated financial statements are available at the headquarter of the Shipowners' Mutual Strike Reinsurance association (Bermuda).

The European Club, incorporated in Luxembourg insures members based in the European Union and the European Economic Area. All other members are insured by the Bermuda insurer. The members of both direct insurers are also voting members of the reinsurer. The two direct insurers are non-voting members of the reinsurer.

A tripartite agreement between the parties has been concluded which provides that both insurers pursue an identical policy for the levying and rating of calls and that claims be dealt with on a consistent and uniform manner. At the same time a quota-share reinsurance agreement has been entered into whereby the two direct insurers each reinsure 85 % of their insurance liability with the reinsurer (2010: 85 %).

Under this quota share agreement the following amounts have been charged in the profit and loss account :

	<i>2011</i> <i>USD</i>	<i>2010</i> <i>USD</i>
Quota Share Premium	(13.801.917)	(10.329.110)
Quota Share Claims Paid	10.829.056	6.904.911
Quota Share Claims Outstanding	1.707.182	(1.067.434)

The Shipowners' Mutual Strike Insurance Association Europe
Société Anonyme

Notes on the accounts - continued
31 January 2011

Note 2 - Principal accounting policies

General principles

The annual accounts are prepared in accordance with the legal requirements in force and the accounting principles generally accepted for insurance companies in Luxembourg.

Translation of currencies

The company maintains its accounting records in U.S. Dollars and its annual accounts are expressed in the same currency.

Currency transactions are translated into U.S. Dollars at the rates of exchange in force at the dates of the transactions.

At the closing date assets and liabilities in foreign currencies, as well as technical provisions, are translated into U.S. Dollars on the basis of rates of exchange in force at that date.

The exchange differences resulting from the application of these principles are included in the profit and loss account.

Other financial investments

Bonds and other securities are recorded at their acquisition cost.

At the balance sheet date, they are individually valued at the lower of cost or market. Value adjustments are deducted from the cost of acquisition.

Debtors

Debtors are shown as balance sheet assets at their nominal value. Value adjustments are made for debtors when the realisable value is uncertain.

The Shipowners' Mutual Strike Insurance Association Europe
Société Anonyme

Notes on the accounts - continued
31 January 2011

Note 2 - Principal accounting policies - continued

Calls, premiums and releases

Calls are credited to the profit and loss account in the current year if notified to members before approval of financial statements. Releases are debited in the accounting period to which they relate. Releases include movements on bad debts provisions.

Provision for claims

The provision for claims is equal to the total estimated cost to the insurance company of settling all claims occurring up to the end of the financial year, whether declared or not, deduction being made for amounts already paid in respect of such claims.

Full provision is made in the annual accounts for all claims and related expenses reported but not paid at the balance sheet date.

The amount relating to reinsurance, if any, is recorded separately.

Tax

Provision for Luxembourg taxation has been made in accordance with the regime currently applying to Marine Mutuels in that jurisdiction.

Note 3 - Other financial investments

		2011		2010
<i>Debts securities and other fixed income securities</i>				
Net book value	USD	2.008.000	USD	2.541.073
		=====		=====
Current value	USD	2.008.000	USD	2.541.073
		=====		=====
<i>Deposits with credit institutions</i>				
Net book value	USD	211.571	USD	212.884
		=====		=====
Current value	USD	211.571	USD	212.884
		=====		=====

The Shipowners' Mutual Strike Insurance Association Europe
Société Anonyme

Notes on the accounts - continued
31 January 2011

Note 4 - Debtors arising out of direct insurance operations

	2011	2010
Amounts owed :		
by policy holders	---	---
by intermediaries	344.091	563.248
	344.091	563.248
	USD 344.091	USD 563.248
	=====	=====

Note 5 - Debtors arising out of reinsurance operations

	2011	2010
Associated Undertakings :	---	4.363.443
Other undertakings	---	34.880
	---	4.398.323
	USD -----	USD -----
	=====	=====

Note 6 - Subordinated liabilities

The initial funding of the Association consists of a contribution of USD 1.000.000 (2010: USD 1.000.000) from an associated undertaking. This contribution takes the form of a subordinated loan which is repayable upon demand, subject to repayment of all other debts of the Association.

Note 7 - Creditors arising out of reinsurance operations

	2011	2010
Associated Undertakings :	429.064	---
Other undertakings	---	---
	429.064	---
	USD -----	USD -----
	=====	=====

The Shipowners' Mutual Strike Insurance Association Europe
Société Anonyme

Notes on the accounts - continued
31 January 2011

Note 8 - Calls and releases, gross

	2011		2010
Initial calls, premiums	13.271.664		12.041.703
Closing calls	2.474.249		2.990.548
	<hr/>		<hr/>
	15.745.913		15.032.251
In Member States of the European Union other than the Grand-Duchy of Luxembourg	14.932.630		14.303.520
In other States	813.283		728.731
	<hr/>		<hr/>
	USD 15.745.913	USD	15.032.251
	=====		=====

Note 9 - Allocated investment return transferred from the non-technical account

Net investment income / loss has been allocated pro-rata between Members-Equity and Provision for claims.

Note 10 - Acquisition costs

During the financial year ended 31 January 2011, the Association paid USD 1.681.929 by way of commissions (2010: USD 1.635.190).

Note 11 - Administrative expenses

During the financial year ended 31 January 2011 and 31 January 2010, administrative expenses include a fee charged by the managers of the Association. This covers the cost of providing offices, staff and administration.

The Shipowners' Mutual Strike Insurance Association Europe
Société Anonyme

Notes on the accounts - continued
31 January 2011

Note 12 - Reinsurance balance

The reinsurance balance amounts to USD (960.942) as at 31 January 2011 (2010: USD (4.728.235)).

Note 13 - Directors' emoluments

The members of the Board of Directors of the Association received emoluments totalling USD 46.667 for the financial year ended 31 January 2011 (2010 : USD 58.500).

Note 14- Fees charged by the audit firm

Category of fees related to the year of account :

		2011		2010
- Legal audit of the financial statements	USD	53.502	USD	58.009
		=====		=====

Note 15- Personnel employed

The number of persons employed during the financial year 2011 amount to 0 (2010 : 0).