



The
STRIKE CLUB

Annual Accounts

As at 31 January 2009

The Strike Club is the only dedicated, mutual insurer covering the daily running costs of vessels delayed by strikes, other force-majeure or off-hire situations outside an owner's or charterer's control.

The expansion into war risk and loss of earnings cover on a fixed premium basis demonstrates the Club's continuing quest for cover that responds to the needs of Members and potential Members.

The Club's overriding objective continues to be to offer comprehensive, constant, cost-efficient cover and service to Members.

Delay

MUTUAL DELAY INSURANCE

Mutual cover for delays following Onshore or Onboard Incidents caused by named perils.

- Class I** Delays during an Onshore Incident.
- Class II** Delays after the end of an Onshore Incident. Usually combined with Class I.
- Class III** Delays caused by Onboard Incidents.



Loss of Earnings

FIXED PREMIUM LOSS OF EARNINGS

Cover for total or partial loss of income or financial loss incurred as the result of the loss of use of a vessel following an incident that is covered under the Hull and Machinery policy.

- Incident limit of US\$2.25m.
- Full underwriting and claims handling control (unless following).
- 100% share, leading share or a follow share.



War

FIXED PREMIUM WAR RISK COVER

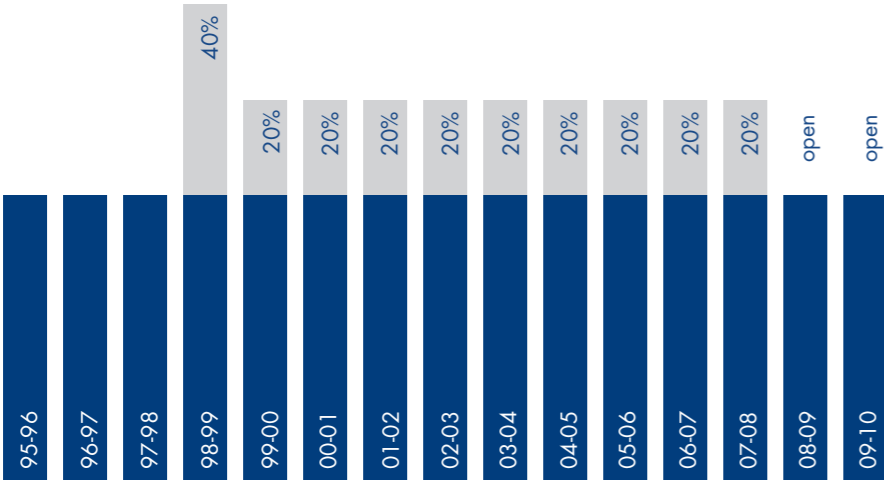
Cover for damages suffered by shipowners due to acts of war.

- H&M - LoH War risk cover excluding piracy.
- H&M - LoH War risk cover including piracy.
- Extended War LoH responding whether or not the insured ship is damaged. Also available on a stand alone basis for both Owners and Charterers.



Call History by Class

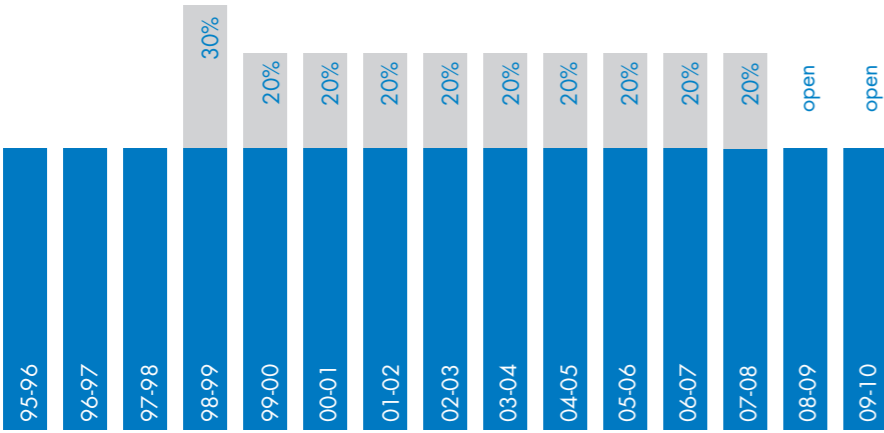
Class I



Final Closing Call

100% Base Call

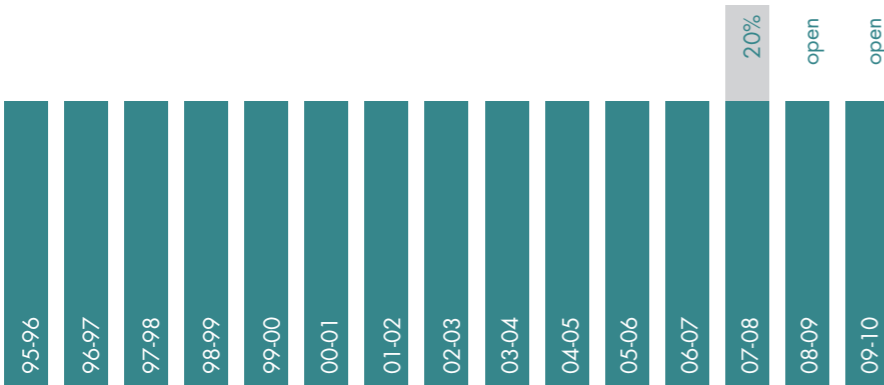
Class II



Final Closing Call

100% Base Call

Class III



Final Closing Call

100% Base Call



Directors & Managers

DIRECTORS

P. Bremner
President & Chairman
CSR Limited, Sydney

C.N. Los
Vice President & Vice Chairman
Los Maritime Limited, London

H. Olsen
Vice President & Vice Chairman
Leonhardt & Blumberg, Hamburg

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Luxembourg

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Clipper Group, Bahamas

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Pacific Direct Line Pty, Singapore

D. Idaka
Toko Kaiun Kaisha Limited, Tokyo

S.W. Kempe **
Hamilton, Bermuda

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Louis Dreyfus Armateurs SAS, Paris

M. Mittelbach
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G.F. Swaine
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COMBINED

Directors' Report



THE DIRECTORS present the audited combined financial statements for The Strike Club for the year ended 31 January 2009. These are prepared and presented as a matter of administrative and commercial interest only and not for statutory reasons. By combining the financial statements of the individual entities forming The Strike Club, the directors believe that they give members and other users of the financial statements a clear picture of the group's financial situation and combined resources.

The Strike Club Mutual dedicated to covering marine trade delays

The Strike Club is the only dedicated, mutual insurer covering the daily costs of vessels which are delayed by off-hire situations including strikes, physical shore delays, collisions and other force-majeure incidents outside an owner's or a charterer's control. The Strike Club, established in 1957, also covers owners' war risks and loss of earnings on a fixed premium basis.

From its beginning, The Strike Club has developed and grown to its present position as the largest insurer of marine strike and delay risks. This satisfactory situation, reflecting as it does the gradual introduction

of a number of carefully assessed successful product innovations, has always been consistently guided and monitored by its directors and managers. The Strike Club acknowledges the very large measure of support and encouragement shown by the broking community, both in London and elsewhere.

At the annual general meeting held in November 2008 the members voted to change the name of the principal group company, The Shipowners' Mutual Strike Reinsurance Association (Bermuda) Ltd. to The Shipowners' Mutual Strike Association (Bermuda) Ltd. reflecting the varied nature of the covers offered by this entity.

During the year the interactive rating, first received in 2006, was confirmed by Standard & Poor's Ratings Services as 'BBB+'. This long-term counterparty credit and insurer financial strength rating is assigned to The Shipowners Mutual Strike Association (Bermuda) Ltd. The outlook is stable. The rating reflects the company's core status within the economic grouping collectively known as The Strike Club.

The Marine Market

At the beginning of the year the freight market was at a very high level. As the year progressed and a world-wide economic crisis amplified the freight markets

tumbled. This was reflected in the daily sums covered for the chartering members and had further implications for the level of premiums and claims going forward to 2009-2010.

During the year under review, vessels flying the flags of 80-plus states, were entered over the three mutual classes, as follows: 1919 vessels in class I (representing 44.8m gross tons), 1905 vessels in class II (44.6m gross tons), and 1404 vessels in class III (37.8m gross tons).

For war perils, The Strike Club covers more than 950 vessels representing an insured value of USD 29 billion. For loss of earnings, The Strike Club covers over 735 vessels for risks totalling around USD1,100m. War risks and loss of earnings covers are backed by comprehensive reinsurance arrangements with strong security.

Strike Cover

The Strike Club has offered insurance against delays caused by shore strikes since 1957 when the initial mutual association was formed. Since then, the cover has been extensively expanded to include delays resulting from action by ships' officers and crew, and a broad range of perils relating to restraint of labour.

Industrial unrest occurs in many places and many different situations. The rules provide for strike cover, for land and vessel-based incidents, without restriction on the deductible or number of days. Under current risk management restrictions, the Strike Club will underwrite up to 30 days per class per incident, with a minimum deductible of one day.

Delay Cover

For over ten years The Strike Club has underwritten a variety of perils causing loss of time to vessels. These include: physical obstruction, detention due to pollution, delay or diversion caused by collision, grounding, stranding, certain onboard machinery incidents including damage from fire or explosion, and other delay risks outlined in The Strike Club's rules.

The rules provide for delay cover without restriction on the deductible or number of days. At present, The Strike Club will underwrite up to twenty one days with a minimum one day deductible and a maximum USD750,000 per occurrence. Cover for grounding and stranding is subject to a minimum of four days' deductible. For delays due to onboard machinery damage, the minimum deductible is seven days. In certain cases cover beyond these limits may be offered, 100% reinsured.



During the 2007/08 underwriting year, The Strike Club began offering loss of earnings cover to shipowners on a fixed premium basis.



War Cover

Since the underwriting year 2002/03, The Strike Club has offered war risks cover to shipowners on a fixed premium basis. Cover is offered on different market terms and conditions and may include war loss of earnings and piracy. The aim of The Strike Club in relation to war risk cover is to provide shipowners with a strong, independent and cohesive voice in the war insurance market.

War cover is currently available worldwide up to a limit of USD200m each interest.

Loss of Earnings Cover

During the 2007/08 underwriting year, The Strike Club began offering loss of earnings cover to shipowners on a fixed premium basis. This cover is seen as a complement to the delay covers already offered. The aim of The Strike Club in relation to loss of earnings cover is to provide shipowners with a reasonable, cost effective alternative to the traditional markets.

Loss of earnings is currently available world-wide up to a working limit of USD2.25m. In certain cases cover beyond these limits may be offered, 100% reinsured.

Claims

Mutual delay - During the underwriting year 2008/09 a total of 356 claims were presented at 152 different locations in 59 countries.

132 industrial dispute claims were lodged for incidents occurring at 53 ports in 22 countries and "delay related" incidents accounted for 224 claims and were spread across 116 locations and 54 different countries.

Net claims at 31 January 2009, of USD23.3m were higher than the USD13.2m, a year earlier.

Total claims in relation to industrial disputes were USD6.2m. Chile has produced a total of 29 claims so far equalling USD2.2m for a series of strikes over the entire year. The main event, a stevedore strike, began in May, ended in June and claims totalling USD1.45m have been credited. The Managers have presented a claim for this event under the Club's re-insurance program and are expecting to make a recovery of approximately USD0.4m.

A strike by farmers in Argentina protesting against increases by the Government on export duties was made worse by truck drivers going on strike during

the same period. The Club has received claims totalling approximately USD1.16m for this event. Again in Argentina, for Class III there have been 11 crew strike claims with a total estimate of USD975,000. The strike has resulted from a dispute between seafarers and the government.

Finally, France continues to be a country in Europe with significant labour disputes affecting various ports. 27 claims have been presented so far of which 15 have been credited totalling approximately USD1.0m. There is no connection between the various events and no attempt of a recovery will be made under the Club's re-insurance program.

Total claims in relation to delay incidents are USD16.2m. 36 percent of these claims relate to collision, grounding & stranding 21 percent to machinery damage, 18 percent to port closures and the remainder to, storm & tempest, obstruction of navigable waterways, mechanical breakdown on land and other delays as covered by the rules.

Fixed premium - Since inception of the LOE cover in July 2007, The Strike Club has received to date a total of 118 claims. For the Policy year 07/08 a total of 73 claims were lodged from which 30 claims have been indemnified at USD4.2m. The reserves for the remaining claims are USD2.3m. For the Policy year 08/09, 12 claims have been received and the estimated reserves are USD0.2m.

The Strike Club has received four claims under the War Risk Policies for vessels hijacked by Somali pirates. The first vessel was hijacked in November and was released in January. The second vessel was hijacked in January.

Insurance Fund and Calls

For the period ended 31 January 2009, the combined financial statements show that the insurance fund decreased by USD4.2m to USD30.7m, including revaluation and net statutory reserves. Reserves decreased in Classes I and III and increased in all other classes of business. At their meeting in March 2009, the directors considered the closure of the underwriting year 2007/08 and determined that a closing call of 20% be levied in classes I, II & III. Members were notified of this by Circular Ref. 1/2009 on 31 March 2009.

Underwriting


Results for 2008/09 show deficits in classes I and II combined, as well as in class III, and a surplus for the fixed business account. The year will be considered for closure in March 2010. At present, release calls have been set at 40% in Classes I, II and III, and members are recommended to budget accordingly.

At their November 2008 meeting, the directors reviewed the financial position of each class, and, for the 2009/10 year, decided to apply general increases of 15% in all three classes. These increases were before adjustment for the member's loss record and risk profile. The directors also agreed to continue the war risks cover and the fixed premium marine loss of earnings insurance. This latter on the basis of specific vessel type and age and covered by a comprehensive reinsurance package.

Investment Strategy

This year was one of tremendous uncertainty and turmoil in the global financial markets. Towards the end of the year it was evident that preservation of





“ The Strike Club continues to offer an efficient, highly competitive and comprehensive service to its members. ”

capital was the paramount consideration for investors. The investment committee and The Strike Clubs' managers monitored the Clubs' investments very closely. Together with the Clubs' investment advisors it was decided to liquidate all of the Clubs' investments in funds of hedge funds. This was also in accordance with the investment guidelines. Also during the year, as a direct result of the financial crisis, bond yields and deposit interest rates fell sharply thus decreasing the returns on the Clubs' bond and cash investments.

The year to 31 January 2009 shows a return on investments of USD0.8m against USD1.6m in the previous year. This excludes currency movements on financial assets, showing a deficit of USD725,000 against a surplus of USD509,000 in the previous year. The total return on opening free reserves, including negative exchange movements, amounts to zero % as against 6.4% for the year ended 31 January 2008.

The Strike Clubs' strategy is to invest at least 70% of managed assets in non-trading bond portfolios. These bonds are held to maturity, ensuring a predictable return. The expected return from these assets for 2009/10 is around 2%.

All managed assets are invested under strict guidelines that emphasise preservation of capital. The Board regularly reviews investment options in order to achieve stable returns.

Reinsurance

The Strike Club continues to reinsure its strike/delay covers on an "each and every event" basis, to protect members from large claims arising from major incidents and it has certain other facultative reinsurances to spread specific risks. All reinsurances are provided by companies with strong security ratings.

The strike and delay each and every event cover continued at similar levels and cost for the 2008/09 year. Overall, the total cost of reinsurance for the strike and delay perils was USD1.8m compared to USD1.5m in the previous year. There is a recovery of USD655,000 in relation to the reinsurance during the period, with USD463,000 outstanding from reinsurers at year end.

Fixed business reinsurance ceded amounted to USD14.4m compared to USD6.6m in the previous year. An amount of USD12,493,000 is estimated to be recoverable from reinsurers for outstanding claims and IBNR's in relation to fixed business (2008: USD603,000).

Risk Management and Capital Adequacy

The individual entities forming the The Strike Club are regulated in Bermuda and Luxembourg and fulfill the requirements of these regulatory regimes as regards solvency and capital adequacy. In line with best practice, The Strike Club has implemented a risk management programme. This revolves around the maintenance of a comprehensive risk register in which all material risks are identified and their probabilities of occurring and potential impact on The Strike Club are assessed.

Internal controls and procedures in place to mitigate the risks identified are also recognised and assessed. The risks are regularly monitored and presented to the Audit Committee at least annually. Internal controls and procedures are regularly updated to ensure that systems are effective and current. A comprehensive stochastic capital adequacy model has also been adopted which enables it to project the adequacy of capital in future years using past history and current assumptions. The risk management system and the capital adequacy model are conceived to work together.

Objectives

The Strike Club is a committed mutual insurer offering cover at cost for delays which are reasonably beyond the vessel operators' control.

The expansion into war risks and loss of earnings covers on a fixed premium basis demonstrates The Strike Club's continuing quest for cover that responds to the needs of members and potential members. This, and continuing development of delay covers in consultation with the members, is a priority.

The Strike Club continues to offer an efficient, highly competitive and comprehensive service to its members. Administration of The Strike Club is undertaken by an experienced management team who works closely with a Board representing members. Board members reflect a wide spectrum of experience of maritime matters at a very high level; they are therefore able to bring a strong appreciation of all aspects of the commercial maritime operating environment to their consideration and protection of members' interests.

The directors thank all the members for their continued support and the management team for their commitment to The Strike Club.

The war risks reinsurance contracts will be renewed on 1 February 2010.

The loss of earnings contracts are placed on a quota share, excess of loss and stop loss basis. The quota-share and stop-loss contracts are respectively on a two and three-year basis and the excess of loss policy is an annual one that will be continued on appropriate terms from July 2009.

Board Changes

At their meeting in November, Mr d'Amico retired as president and chairman and Mr. P. Bremner was appointed president and chairman of the Associations, and Mr. C. Los and Mr. H. Olsen were appointed vice-presidents and vice-chairmen.

Mr.Hagn-Meincke, Mr Idaka, Mr Le Guillard, Mr Olsen and Mr Ricke, retiring by rotation, were re-elected by the members at the annual general meetings.

The directors met on three occasions during the financial year, in March, June and November, to consider and discuss reports submitted by the managers. The principal items on the agenda were loss of earnings, war risks, delay cover and investment strategy.

COMBINED

Financial Statements

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COMBINED BALANCE SHEET

As at 31 January 2009

	Notes	2009 USD 000's	2008 USD 000's
Assets			
Financial Assets	2(f)&10	16,108	25,547
Associated Company Balance	12	250	250
Debtors and other receivables		20,374	12,604
Recoverable from Reinsurers and others	4	14,224	1,715
Deferred Reinsurance	4	8,382	4,855
Deferred discounts		1,400	900
Cash and cash equivalents	2(i)&9	20,569	13,118
		81,307	58,989
Fund and Liabilities			
Statutory Reserve Fund	12	1,250	1,250
Members' Funds	8	29,437	33,647
Unearned Premium Reserve	2(d)&3	9,597	5,723
Creditors	13	41,023	18,369
		81,307	58,989

P Bremner President and Chairman
C.N. Los Vice President and Vice Chairman
W.J. Milligan Director, S.C. Management (Bermuda) Ltd, Managers; Director, S.C. Management (Luxembourg) S.A., Managers
June 26, 2009

MOVEMENT ON COMBINED MEMBERS' FUNDS AND STATUTORY RESERVE FUND

As at 31 January 2009

	Notes	2009 USD 000's	2008 USD 000's
Retained Insurance Fund at the beginning of the year		32,719	33,092
Transfer to Statutory reserve		0	(760)
Increase / (Decrease) in the Insurance Fund from ordinary activities		(3,343)	387
Retained Insurance Fund at the end of the year		29,376	32,719
Revaluation Reserve at the beginning of the year		928	691
Increase / (Decrease) in the Revaluation Reserve		21	237
Movement on Revaluation Reserve from sale of Financial Assets	10	(888)	0
Revaluation Reserve at the end of the year		61	928
Members' Funds	8	29,437	33,647
Statutory Reserve Fund at the beginning of the year		1,250	490
Increase / (Decrease) of Statutory Reserve		0	760
Statutory Reserve Fund at the end of the year	12	1,250	1,250

The notes on pages 17 to 24 are an integral part of these Financial Statements. The Auditors' Report is on page 25.

COMBINED STATEMENT OF CHANGE IN THE INSURANCE FUND

For the year ended 31 January 2009

	Notes	2009 USD 000's	2008 USD 000's
Insurance Result			
Strike and Delay Calls & Premiums	2(d)&3	31,257	23,422
Returns	2(d)	(2,842)	(3,292)
Net Strike and Delay Premiums		28,415	20,130
Fixed Business Premiums	2(d)&3	20,477	8,664
Net earned premiums		48,892	28,794
Strike and Delay Reinsurance Premium	4	(1,768)	(1,545)
Fixed Business Reinsurance Premium	4	(14,357)	(6,574)
Net reinsurance premiums		(16,125)	(8,119)
Net Calls & Premiums		32,767	20,675
Claims	2(g)&5	(23,346)	(13,177)
Insurance Result		9,421	7,498
Operating Expenses			
Operating expenses	2(h)&6	8,816	7,524
Fixed Business Discounts		3,980	1,652
Net Insurance Result after Operating Expenses		(3,375)	(1,678)
Financial Income			
Interest and coupons	10	1,233	1,649
Gain / (Loss) on Sale of Investments	2(f)	(217)	199
Gain / (Loss) on Impairment		(169)	(198)
Investment Costs		(90)	(94)
Net Investment Income		757	1,556
Gain / (Loss) on Exchange	2(e)	(725)	509
Net Financial Income		32	2,065
(Decrease) / Increase in the Insurance Fund from ordinary activities		(3,343)	387

The notes on pages 17 to 24 are an integral part of these Financial Statements. The Auditors' Report is on page 25.

COMBINED STATEMENT OF CASH FLOWS

For the year ended 31 January 2009

	2009 USD 000's	2008 USD 000's
Cash Flows From Operating Activities		
Cash Inflows		
Insurance Calls & Premiums received net of Returns	45,547	28,183
Reinsurance Recoveries	74	0
	45,621	28,183
Cash Outflows		
Reinsurance Premiums	(6,416)	(7,245)
Gross Claims paid	(22,990)	(10,710)
Other cash payments	(17,455)	(11,790)
	(46,861)	(29,745)
Net cash (outflow) inflow from Operating Activities	(1,240)	(1,562)
Cash Flows From Investing Activities		
Cash Inflows		
Interest received	1,319	1,626
Sale of Investments	20,138	9,969
	21,457	11,595
Purchase of Investments	(12,162)	(8,315)
	(12,162)	(8,315)
Net cash inflow (outflow) from Investing Activities	9,295	3,280
Net cash inflow	8,055	1,718
Opening cash balances	13,118	10,968
Effect of Exchange rate movement	(604)	432
Ending cash carried forward	20,569	13,118

Cash comprises cash and deposit balances held with recognised Financial institutions.

The notes on pages 17 to 24 are an integral part of these Financial Statements. The Auditors' Report is on page 25.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 January 2009

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 members based in the EU and EAA. Members outside the EU and EAA are insured by Strike Bermuda.

The Members of Strike Europe and Strike Bermuda are members of Strike Association Bermuda which conducts insurance and reinsurance operations. Strike Europe and Strike Bermuda are non-voting members of Strike Association Bermuda. Strike Bermuda and Strike Association Bermuda have their registered offices at Swan Building, 26 Victoria Street, Hamilton, Bermuda.

Strike Association Bermuda also writes War Risk and Loss of Earnings business on a fixed premium basis.

There is a tripartite agreement between the parties which provides that both direct insurers pursue an identical policy for the levying and rating of calls and that claims be dealt with in a consistent and uniform manner. Also a quota share reinsurance agreement has been entered into whereby the 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.

These combined financial statements are presented on the basis that the financial statements of Strike Europe, Strike Bermuda, and Strike Association Bermuda are accumulated and intercompany balances and transactions are eliminated. The combined financial statements have no legal impact but are presented to give an overview of the economic grouping of The Strike Club. The combined financial statements of the Group for the year ended 31 January 2009 were authorised for issue in accordance with a resolution of the directors' on the 26 June 2009.

2. Accounting Policies:

(a) Basis and Currency of Presentation

The combined financial statements together with those of all group companies are prepared in accordance with International Financial Reporting Standards. The combined financial statements have been prepared on an historical cost basis except for available for sale investments.

The accounting policies are consistent with those of the previous financial year.

The following standards, revised standards and interpretations were applicable for the first time during the year but had no effect on the financial statements:

- Amendment to IAS 39 and IFRS 7 : Reclassification of financial assets,

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after January 1, 2009; they have not been early adopted at 31 January 2009:

- IAS 1 – Presentation of financial statements,
- IAS 27 – Consolidated and separate financial statements,
- IFRS 3 – Business combinations,
- Amendment to IAS 32 and IAS 1 – Puttable financial instruments and obligations arising on liquidation,
- Amendment to IAS 39 – Eligible hedged items,
- Amendment to IFRS 1 and IAS 27– Cost of an investment in a subsidiary, jointly controlled entity or associate,

The Group reporting and operating currency is USD which is the trading currency of the majority of the members. All values are rounded to the nearest thousand (USD '000) except when otherwise indicated.

(b) Combination

The combined financial statements include the financial statements of Strike Europe, and Strike Bermuda, and the consolidated financial statements of Strike Association Bermuda, which include the accounts of its wholly-owned subsidiary, The Strike Club Investment Holding Company Establishment. The scope of combination 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 combined 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 combined 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 Combined Statement of Change in the Insurance Fund 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. Written 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 Income and expenditure account. Unearned premiums are calculated by reference to individual policy dates pro rata temporis.

(e) Foreign Currencies

Assets and liabilities in foreign currencies have been translated to US dollars at the appropriate rates of exchange ruling at the balance sheet date. 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 and Cash and cash equivalents are separately identified in the Combined Statement of Change in the Insurance Fund.

Provision is made in the Combined Statement of Change in the Insurance Fund for any profit or loss arising on forward foreign exchange contracts, which are valued at the market rate ruling at the balance sheet date.

(f) Financial Assets

Financial assets held in available for sale portfolios are stated at fair value in the combined financial statements. Fair value is quoted market price. On realisation the proceeds are set against cost on a FIFO basis and the resulting profit or loss taken to the Combined Statement of Change in the Insurance Fund. These investments, held in independently managed portfolios, are considered as long-term assets. Gain and loss arising from a change in the fair value on 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 Association has the intention and ability to hold these investments until their redemption date. These investments are reported in the Balance Sheet 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 Combined Statement of Change in the Insurance Fund on an accruals basis including the expected total costs of claims incurred but not approved and claims incurred but not reported (IBNR). Changes in Estimated Outstanding Claims are included in the Combined Statement of Change in the Insurance Fund 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, Financial, Acquisition 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.

3. Calls and Premiums:

	2009 USD 000's	2008 USD 000's
Strike and Delay cover		
Advance Calls	27,517	21,947
Closing Calls	3,740	1,475
Strike and Delay Calls and Premiums	31,257	23,422
Fixed Premium business	20,477	8,664

Premiums in relation to the mutual Strike and Delay are coterminous with the underwriting year-end. This cover is provided under the rules of the Associations as agreed by the Mutual Members. The current rule book is available from the Associations' Managers and on the website.

Premiums in relation to the War & Loss of Earnings Risks 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.

Members were notified by Circular Ref. 1/2009 on 31 March 2009 of a Closing Call of 20% in Class I, Class II and Class III for the 2007/2008 Underwriting year.

4. Insurance Risks and Recoverable from Reinsurers and Others:

The risks covered by the Associations are short tail. The Associations' experience is that certain events, such as a national strike, may lead to aggregation of claims. A claim on the war risk policy could also be material. In order to protect Members' funds, the Associations have 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.

USD14,224,000 is outstanding from reinsurers at year end (2008: USD1,715,000). This includes a recovery for claims, amounting to USD12,493,000 (2008: USD603,000), in relation to fixed risks and a recovery for claims, amounting to USD463,000 (2008: USD NIL), in relation to strike and delay risks.

The reinsurance on the unexpired unearned fixed risks is USD8,382,000 (2008: USD4,855,000).

All amounts are due within less than 24 months.

5. Claims:

	2009 USD 000's	2008 USD 000's
Approved Claims & external costs	24,719	11,436
Decrease (Increase) in Reinsurance Recoveries	(11,596)	(603)
Increase in estimated outstanding claims	8,932	1,220
Claims Handling Costs (Note 7)	1,291	1,124
Net Claims	23,346	13,177

Provision has been made for claims on the basis of information received on claims admitted prior to the year-end. The provision for IBNR for strike & delay risks and war risks is considered as nil. For loss of earnings risks provision is made for IBNR in accordance with industry practice. Details of the provisions are provided in note 13.

6. Operating Expenses:

	2009 USD 000's	2008 USD 000's
Acquisition Costs Strike & Delay	3,066	2,172
Management Fee (Note 7)	4,098	3,787
Directors' Fees	199	226
Travelling / Meeting Expenses	415	487
Directors' and Officers' Insurance	19	25
Legal & Professional Fees	418	253
Audit Fees	231	152
Advertising, Printing and Stationery	180	254
Taxation	127	116
Other Costs	63	52
Operating Costs	5,750	5,352
Total Operating Expenses	8,816	7,524

The company is not liable to taxation in Bermuda. Luxembourg taxation arises on non-allowable expenses in The Shipowners' Mutual Strike Insurance Association Europe in accordance with the regime currently applying to Marine Mutuals in that jurisdiction. There are no deferred tax provisions arising.

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:

	2009 USD 000's	2008 USD 000's
Acquisition Costs	1,614	1,447
Financial and General	2,484	2,340
Management fees in net operating expenses	4,098	3,787
Claims Handling Costs	1,291	1,124
	5,389	4,911

8. Members' Funds:

The balance of the Members' Funds totalling USD29,437,000 (2008: USD33,647,000) comprises the accumulated excess of recorded income over claims and expenses for all policy years to date. Any surplus on the Members' Funds may, at the discretion of the Directors, be retained and applied for the purposes of the Association.

Members' funds comprise the retained capital of the Group and are used for solvency and technical reserves. These funds are invested in a prudent manner in order to contribute to the annual account. There are statutory requirements in Bermuda and Luxembourg where the Associations are licensed, which require minimal levels of Capital and solvency. The Clubs have respected these levels throughout the year. The Board regularly reviews the level of reserves in relation to the business underwritten.

9. Cash and Cash Equivalents:

	2009 USD 000's	2008 USD 000's
Cash at bank and in hand	3,680	4,070
Call deposits	11,888	6,206
Money market funds	4,500	2,842
	20,569	13,118

Cash at bank and in hand 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. Money market funds are with top security banks quoted on recognised stock exchanges.

10. Financial Assets:

Financial assets available for sale at quoted market price	HTM	AFS	Carrying value 31.01.2009	HTM	AFS	Carrying value 31.01.2008
Funds of hedge funds	-	1,069	1,069	-	6,367	6,367
Equities	-	58	58	-	100	100
Sovereign Bonds	-	1,072	1,072	-	1,068	1,068
Subtotal	-	2,199	2,199	-	7,535	7,535
Long term held to maturity securities at amortised costs						
Corporate Bonds	13,909	-	13,909	18,012	-	18,012
Subtotal	13,909	-	13,909	18,012	-	18,012
Total	13,909	2,199	16,108	18,012	7,535	25,547
	HTM	AFS	Total	HTM	AFS	Total
Cost of financial assets	-	3,318	3,318	-	7,619	7,619
Market value of assets	13,937	-	13,937	18,218	-	18,218

The difference between the amortised cost and market value of the HTM assets is considered to be temporary and it has not therefore been deemed necessary to provide for it in the income and expenditure account.

Maturity of Bonds	HTM	AFS	Total 31.01.2009	HTM	AFS	Total 31.01.2008
Within one year	10,422	1,072	11,494	11,499	1,068	12,567
Greater than one year less than two years	2,417	-	2,417	4,581	-	4,581
Greater than two years less than three years	1,070	-	1,070	1,932	-	1,932
	13,909	1,072	14,981	18,012	1,068	19,080
	HTM	AFS	Total 31.01.2009	HTM	AFS	Total 31.01.2008
Cash interest	-	393	393	-	597	597
Coupons from HTM securities	690	-	690	909	-	909
Coupons from AFS securities	-	150	150	-	143	143
	690	543	1,233	909	740	1,649

An amount of USD888,000 in respect of an accumulated revaluation reserve for available for sale assets has been released and taken to the profit and loss account during the year (2008: USD200,000). The amount results from the sale of Fund of hedge fund investments.

Rating of securities

	HTM	2009 AFS	HTM	2008 AFS
AAA	48%	100%	37%	100%
AA	18%	NIL	54%	NIL
A	26%	NIL	9%	NIL
BB/BBB	8%	NIL	NIL	NIL

The rates of interest accruing on the bond holdings range from 3.625% to 8%.

Investments are, for the most part, managed under external investment mandates with recognised financial service institutions. The performance of these portfolios is regularly reviewed by an investment committee appointed by the Board. This committee also regularly reviews strategy and proposes changes for the Board's consideration. The Group has strict Investment Guidelines, which are based on a conservative investment profile. Investments in bonds must be minimum BBB grade and cash and deposits are placed with internationally recognised institutions.

11. Risk Management:

(a) 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 companies.

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. The risks identified are based on a list agreed by the UK regulatory authorities and amended to suit the business of the Associations and the actual risk experience.

(b) 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 investments. 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.

(b)(i) 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. It is considered that the Group is exposed to fluctuations in Foreign exchange and interest rate risk in the manner and to the extent outlined below.

Foreign Exchange Risk: The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures mainly to the Euro. The Group does not hedge foreign exchange exposures. The Group does not use derivative contracts to hedge the foreign currency exchange risk. The Group has calculated that a 10% appreciation in the USD against major currencies at 31 January 2009 would result in a USD44,000 decrease in Member's funds resulting from revaluations of financial instruments. A 10% depreciation of the USD would produce a USD44,000 surplus. There were no other significant currency exposures at the balance sheet date.

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 three years to ensure replacement risk is minimised. Interest rate variation is not material to the accounts as the majority of bond holdings are on a buy and hold basis and thus their contribution to the income of the associations does not vary with the market rate of interest.

(b)(ii) 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 management estimates 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 in balance sheet
Debtors and other receivables	78%	15%	6%	1%	20,374
Recoverable from Reinsurers and others	100%	0%	0%	0%	14,724
31.01.2009					35,098
Debtors and other receivables	74%	24%	2%	0%	12,604
Recoverable from Reinsurers and others	100%	0%	0%	0%	1,715
31.01.2008					14,319

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 Management has based its estimates on the ageing of accounts receivable balances.

Doubtful Debt Provision:

	2009 USD 000's	2008 USD 000's
Opening balance	11	11
Increase during the year	79	-
Subsequent recoveries of amounts provided for	(3)	-
Amounts written off	-	-
Closing balance	87	11

(b)(iii) Liquidity Risk

The Group's investments are relatively short term and liquid thus limiting liquidity risk. The following table outlines the expected liquidity in relation to the Group financial instruments.

	2009 USD 000's	2008 USD 000's
Receivables and Other Financial Assets		
Debtors and other receivables	20,374	12,604
Recoverable from Reinsurers and others	14,224	1,715
Deferred reinsurance	8,382	4,855
Deferred discounts	1,400	900
	44,380	20,074
Due within 12 months	44,312	20,031
Due between 12 months and 24 months	68	43
	44,380	20,074

Fund and Liabilities

	2009 USD 000's	2008 USD 000's
Unearned Premium Reserve	9,597	5,723
Creditors	41,023	18,369
	50,620	24,092
Expected to be settled within 12 months	49,530	24,092
Expected to be settled within 24 months	1,090	-
	50,620	24,092

(c) Insurance Risk Management

The Strike Club covers defined risks on a mutual basis for Strike & Delay and on a fixed premium basis for War Risks and Loss of Earnings.

The Strike & Delay premiums are sensitive to international Dollar exchange rates, daily entered amounts, the position of the freight market and to the general claims environment. Members are entered world-wide with 65% of premium coming from Europe (2008: 63%).

Risk concentrations are determined by review of the impact of a given event such as a nation-wide strike or the closure of a significant port or waterway. Strike & Delay claims are dependent on the daily-entered amounts covered and the general claims environment world-wide.

Loss of Earnings risk is sensitive to changes in daily-entered amounts covered, 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 USD2.25 m. and there are substantial reinsurances in place to ensure that the retained risk is within acceptable parameters. Loss of earnings accounts come from traditional markets for The Strike Club.

War premiums are dependent on the general reinsurance rates for this business, the vessel values and the geo-political situation. The risk of a war casualty is of low frequency but has a high severity, which is mitigated through comprehensive reinsurances. The majority of War premium comes from the European market.

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

Reinsurances are placed in the Lloyds 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.

12. Associated Company Balance and Statutory Reserve Fund:

An amount of USD 250,000 being part of subordinated loan from Strike Association Bermuda to Strike Bermuda was allocated to that company's Statutory Reserve. The amount has therefore not been eliminated on combination. The Statutory Reserve is as follows:

	2009 USD 000's	2008 USD 000's
Strike Association Bermuda	1,000	1,000
Strike Bermuda	250	250
	1,250	1,250

13. Creditors:

	2009 USD 000's	2008 USD 000's
Amounts due in respect of insurance and reinsurance contracts	24,383	11,127
Estimated outstanding claims	14,658	5,726
Insurance Accruals	1,680	1,187
Other expense provisions	302	329
Total Creditors	41,023	18,369

Estimated outstanding Claims are as follows:

	2009 USD 000's	2008 USD 000's
Closed years to 31 January 2007	0	3
Strike & Delay UW Year 2007-2008	245	99
Strike & Delay UW Year 2008-2009	6,887	4,821
Loss of Earnings	4,726	803
War risks	2,800	-
Total	14,658	5,726

Claims are assessed on a case by case basis and provision is made on the expected liability as calculated at the time and claimed 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 first years of operation for the Loss of Earnings it is assumed that the claims provisions will result in a nil technical margin.

14. Commitments:

At 31 January 2009 the Group has no commitments (2008: USD 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.

16. Exchange Rates:

The following rates of exchange were applicable at 31 January 2009 and 2008:

	2009 USD 1 equals	2008 USD 1 equals
Australian Dollar	1.5726	1.1217
Canadian Dollar	1.2399	0.9951
Danish Krone	5.8171	5.0216
Euro	0.7803	0.6739
Japanese Yen	89.81	106.9519
New Zealand Dollar	1.9724	1.2760
Norwegian Krone	6.9114	5.4274
Swedish Krona	8.2952	6.3585
Swiss Franc	1.1607	1.0850
Sterling Pound	0.6936	0.5037

INDEPENDENT AUDITORS' REPORT

Year ended 31 January 2009

We have audited the accompanying financial statements of The Strike Club, which comprises the combined balance sheet as at January 31, 2009, the movement on combined Members' funds and statutory reserve fund, the related combined statement of change in the insurance fund, and the combined statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 combined financial statements give a true and fair view of the financial position of The Strike Club as of January 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

June 26, 2009
#3 Reid Street
Hamilton, Bermuda

COMBINED BALANCE SHEET

As at 31 January 2009 by Class

	Class I USD 000's	Class II USD 000's	Class III USD 000's	Fixed business USD 000's	2009 USD 000's	2008 USD 000's
Assets						
Financial Assets	1,223	4,635	10,250	0	16,108	25,547
Associated Company Balance	166	43	41	0	250	250
Debtors and other receivables	2,806	923	2,327	14,318	20,374	12,604
Recoverable from Reinsurers and others	458	5	0	13,761	14,224	1,715
Deferred Reinsurance	0	0	0	8,382	8,382	4,855
Deferred discounts	0	0	0	1,400	1,400	900
Cash and cash equivalents	5,107	3,223	7,285	4,954	20,569	13,118
	9,760	8,829	19,903	42,815	81,307	58,989
Fund and Liabilities						
Statutory Reserve Fund	730	232	288	-	1,250	1,250
Members' Funds	5,812	8,223	12,321	3,081	29,437	33,647
Unearned Premium Reserve	-	-	-	9,597	9,597	5,723
Creditors	3,218	374	7,294	30,137	41,023	18,369
	9,760	8,829	19,903	42,815	81,307	58,989

MOVEMENT ON COMBINED MEMBERS' FUNDS AND STATUTORY RESERVE FUND

As at 31 January 2009 by Class

	Class I USD 000's	Class II USD 000's	Class III USD 000's	Fixed business USD 000's	2009 USD 000's	2008 USD 000's
Retained Insurance Fund at the beginning of the year	6,999	7,341	16,284	2,095	32,719	33,092
Transfer to Statutory reserve	0	0	0	0	0	(760)
Increase / (Decrease) in the Insurance Fund from ordinary activities	(1,190)	861	(4,000)	986	(3,343)	387
Retained Insurance Fund at the end of the year	5,809	8,202	12,284	3,081	29,376	32,719
Revaluation Reserve at the beginning of the year	131	218	579	0	928	691
Increase / (Decrease) in the Revaluation Reserve	1	7	13	0	21	237
Movement on Revaluation Reserve from sale of Financial Assets	(129)	(204)	(555)	0	(888)	0
Revaluation Reserve at the end of the year	3	21	37	0	61	928
Members' Funds						
Statutory Reserve Fund at the beginning of the year	730	232	288	0	1,250	490
Increase / (Decrease) of Statutory Reserve	0	0	0	0	0	760
Statutory Reserve Fund at the end of the year	730	232	288	0	1,250	1,250

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

COMBINED STATEMENT OF CHANGE IN THE INSURANCE FUND

For the year ended 31 January 2009 by Class

	Class I USD 000's	Class II USD 000's	Class III USD 000's	Fixed business USD 000's	2009 USD 000's	2008 USD 000's
Insurance Result						
Strike and Delay Calls & Premiums	10,156	3,344	17,757	-	31,257	23,422
Returns	(1,353)	(442)	(1,047)	-	(2,842)	(3,292)
Net Strike and Delay Premiums	8,803	2,902	16,710	-	28,415	20,130
Fixed Business Premiums	-	-	-	20,477	20,477	8,664
Net earned premiums	8,803	2,902	16,710	20,477	48,892	28,794
Strike and Delay Reinsurance Premium	(635)	(205)	(928)	-	(1,768)	(1,545)
Fixed Business Reinsurance Premium	-	-	-	(14,357)	(14,357)	(6,574)
Net reinsurance premiums	(635)	(205)	(928)	(14,357)	(16,125)	(8,119)
Net Calls & Premiums	8,168	2,697	15,782	6,120	32,767	20,675
Claims	(6,597)	(1,054)	(14,851)	(844)	(23,346)	(13,177)
Insurance Result	1,571	1,643	931	5,276	9,421	7,498
Operating Expenses						
Operating expenses	2,477	993	5,254	92	8,816	7,524
Fixed Business Discounts	-	-	-	3,980	3,980	1,652
Net Insurance Result after Operating Expenses	(906)	650	(4,323)	1,204	(3,375)	(1,678)
Financial Income						
Interest and coupons	119	326	708	80	1,233	1,649
Gain / (Loss) on Sale of Investments	(6)	(67)	(144)	-	(217)	199
Gain / (Loss) on Impairment	(8)	(51)	(110)	-	(169)	(198)
Investment Costs	(5)	(27)	(58)	-	(90)	(94)
Net Investment Income	100	181	396	80	757	1,556
Gain / (Loss) on Exchange	(384)	30	(73)	(298)	(725)	509
Net Financial Income	(284)	211	323	(218)	32	2,065
Increase / (Decrease) in the Insurance Fund from ordinary activities	(1,190)	861	(4,000)	986	(3,343)	387

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

Inside back cover