60 YEARS PROTECTING YOUR INCOME — Since 1957 —

THE STRIKE CLUB

The Shipowners' Mutual Strike Association (Bermuda) Limited
The Shipowners' Mutual Strike Insurance Association (Bermuda) Limited
The Shipowners' Mutual Strike Insurance Association Europe

Combined Financial Statements (IFRS)

For the year ended
31 January 2017

COMBINED REPORT OF DIRECTORS

In a time of challenging trading conditions for world shipping, The Strike Club has focused on delivering the most cost effective delay insurance to members, while ensuring a high level of financial security. Over the last year, the boards and managers have made great strides to improve the Club's underwriting, business development and operational structure, which will increase efficiency for members. The Club's underwriting result has shown an improvement over the prior year, in a less severe claims environment and supported by positive investment returns. The Club achieved an encouraging renewal with 95% of the membership renewing their cover and new members welcomed to the Club for the 2017/2018 policy year.

The directors present the audited combined financial statements of The Strike Club for the year ended 31 January 2017. 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 they give members and other users of the financial statements a clearer picture of the Club's overall financial situation and combined resources.

The Strike Club: a mutual dedicated to protecting earnings from marine trade delays

The Strike Club is the only dedicated mutual insurer covering the daily costs of vessels delayed by strikes, shore delays, collisions, groundings and other incidents outside owners' or charterers' control. The Club also provides insurance on a fixed premium basis for war risks, loss of hire, profit protection for time charterers and other delay risks in excess of or outside the mutual rules.

The Club has developed and grown to its present position as the world's largest mutual insurer of marine delay risks, reflecting the gradual introduction of a number of carefully assessed product innovations, in each case guided by members and brokers and monitored by the directors.

Financial strength

In February 2017 the Club's interactive rating was confirmed by Standard & Poor's Ratings Services as BBB outlook stable. This credit and financial strength rating is assigned to The Shipowners' Mutual Strike Insurance Association Europe, which from 1 February 2017 underwrites all of the new policies insured by The Strike Club.

Reserves

At 31 January 2017, the Club's contingency reserves were $25.7m which, together with statutory reserves of $1.25m, makes the total reserves $26.9m.

Mutual delay cover

This is The Strike Club's 60th year providing insurance against delays since the initial mutual started in the UK back in 1957. Since then, the cover has been expanded extensively to include delays resulting from action by ships' officers and crew, additional perils relating to restraint of labour and a wide range of other risks such as earthquakes, floods, mechanical breakdowns on land and port closures. Industrial unrest occurs in many places and many different situations. Under its current underwriting parameters, the Club offers up to twenty days cover per strike incident, with a minimum deductible of one day.

For more than fifteen years the Club has underwritten a variety of other perils causing loss of time to vessels. These include physical obstruction, detention due to pollution, delay or diversion caused by collision, grounding, stranding, and various on-board machinery incidents such as damage from fire or explosion, as well as other delay risks outlined in the mutual rules. Cover for grounding and stranding is usually subject to a deductible of four days. For delays due to on-board machinery damage, the usual deductible is seven days. In certain cases, cover beyond these limits may be offered.

War cover

The Club has offered war risks cover to owners and charterers on a fixed premium basis since 2002. Cover is offered on market terms and conditions and may include war hull & machinery, war loss of hire, piracy and kidnap & ransom, with tailored extensions as required. The aim is to provide owners and charterers with a strong, independent, competitive alternative to the traditional war insurance markets, backed by the Club's excellent reputation for service. War cover is presently available worldwide up to a limit of $200m each interest, supported by a comprehensive reinsurance package.

Loss of hire cover

The Club has provided fixed premium loss of hire cover on market-standard terms since 2007, offering cover that complements the shorter term mutual delay covers to provide a full term delay solution with retained risk for a shorter period than competitors. The Club's first class reputation for service operates in combination with a cost effective alternative to other loss of hire markets. Loss of hire cover is currently available worldwide up to a limit of $5m. In certain cases, cover beyond this limit may be offered. The cover is backed by a comprehensive reinsurance package.

Profit protection for time charterers

The Club offers fixed premium insurance cover against financial losses that time charterers incur when charters are cancelled following total losses or constructive total losses, by insuring the total expected profit between hire receivable and hire payable.

Tailored fixed premium delay cover

The Club offers fixed premium cover for longer delays than are covered by the mutual rules, such as delays and associated expenses up to 180 days caused by discovery of drugs or contraband, as well as for delay risks outside the mutual rules. Policies are individually designed to meet the needs of each ship operator.

Underwriting

During the financial year, vessels flying the flags of 63 states were entered in the Classes I, II & III, with 2,400 ships in Classes I & II (representing 116m dwt) and 1,100 ships in Class III (representing 52m dwt).

In April 2017, the directors reviewed the 2015/16 policy year and decided that closing calls of 40% should be levied for Classes I, II and III. The underwriting accounts for the 2015/16 policy year continue to show a deficit after accounting for these closing calls. Results for the 2016/17 policy year after twelve months show a much more promising picture, with the result much closer to breakeven. This underwriting year would normally be considered for closure during the first half of 2018 and, in the meantime, the directors have advised members to budget for closing calls of 20% for Classes I, II and III.

At their meeting in October 2016, the directors agreed to seek general increases for 2017/18 of 10% in Classes I, II and III, in addition to a review of each member's exposure, cover, deductibles and record.

Claims

During the financial year, net claims incurred totalled $13.8m, $6.1m lower than the previous year.

Continuing political and economic difficulties during 2016 increased the pressure on ship operators trying to trade vessels at a profit in generally weak freight markets. These challenges are compounded by the effects of strikes and other delay incidents, whether shore or ship related, bringing uncertainty, legal actions, cancellation of contracts, and severe disruption to sailing schedules.

The Middle East continues to present considerable risks, particularly in Yemen, Libya and Syria, though to date Suez Canal transits have been relatively undisturbed. There are signs of a possible resurgence in piracy and related crime off Somalia although to date the activity has been limited. Political instability in North Korea and an associated build-up of US and other naval forces in the area of the Korean peninsula is reflective of a heightened risk in the region, with the USA keeping the option of military action 'on the table'.

Investment strategy

The year to 31 January 2017 shows net investment gains excluding currency movements of $0.6m, a $0.8m improvement on the previous year. In a year of continuing financial uncertainty, preservation of capital continued to be the paramount consideration for the Club's investment committee.

Reinsurance

The Club purchases a reinsurance programme to protect members from large claims arising from major incidents and it places other facultative reinsurances to manage specific risks. All of the Club's reinsurances are provided by companies with strong security ratings.

The delay reinsurance contracts and the war risks reinsurance contracts are generally placed for twelve months. The loss of hire reinsurance contracts have historically been placed as an annual excess of loss policy with a multi-year stop loss policy. These reinsurances are being reviewed with a view to making them more cost effective while still retaining appropriate cover with first class security.

The total cost of reinsurance amounted to $5.7m compared to $8.9m in the previous year. At the year end, a total of $9.3m is estimated to be recoverable from reinsurers (2016: $9.7m).

Directors

The directors met on five occasions during the financial year in February, April, June, October and December. The principal agenda items were business strategy, underwriting, claims, investment strategy, financial statements, corporate structure, governance, risk and compliance.

In February 2016 Mr Hilton joined the Bermuda boards and then joined the Luxembourg board in June 2016. At the June 2016 annual general meetings, Mr Le Guillard was appointed as chairman, with Mr Williams and Mr Andersen appointed as vice chairmen. Mr Daniells joined the Bermuda boards. Other directors retiring by rotation were re-elected by the members. Mr Huxley joined the Bermuda boards in October 2016, when Mr Kempe resigned. The continuing directors would like to place on record their thanks to Mr Kempe for his valued contribution over the last 30 years.

Solvency II

The individual mutual insurance companies within The Strike Club are regulated in Luxembourg and Bermuda and fulfil the requirements of their regulatory regimes as regards solvency and capital adequacy, so Solvency II for Luxembourg and a regime recognised by the EU as equivalent to Solvency II for Bermuda. As part of the preparation for the increasing EU insurance regulation under Solvency II, the directors reviewed how and where The Strike Club should conduct its business and took a decision in principle to obtain a licence for a new mutual located in the United Kingdom. However, following the UK's Brexit vote in June 2016, the application for a UK licence was allowed to lapse and the UK insurer remains inactive.

The directors resolved to simplify the Club's business structure by reducing the number of direct insurers, so that new business to The Strike Club would be underwritten by The Shipowners' Mutual Strike Insurance Association Europe ("SIE"), with all mutual renewals at 1 February 2017 into SIE. The Shipowners' Mutual Strike Association (Bermuda) Ltd ("SAB") continues to support it as quota share reinsurer, with members entered in SIE's Class I/II/III continuing as members of SAB. SIE has a UK Branch, with an office at Lloyds Chambers, 1 Portsoken Street in London.

The Bermuda Strike Clubs will not underwrite future primary business. The Shipowners' Mutual Strike Insurance Association (Bermuda) Limited ("SIB") will continue for the purpose of meeting its obligations to members entered in it for the 2016/17 and earlier policy years. Existing fixed premium policies provided by SAB will run on to their natural expiry in SAB. Any declarations or similar policy maintenance features will continue to operate for those policies in the normal course of business until the policies expire. However, if renewal is offered at that time, it will be with SIE.

None of these changes will affect the products, terms, rates or effective security offered to members and assureds. As always, responsiveness and delivery of high quality, supportive service remains at the core of The Strike Club business.

Management changes

In March 2015 the directors appointed Charles Taylor as managers. Charles Taylor is a well-known provider of professional services to clients across the global insurance market and employs over 1,800 staff in 71 offices spread across the UK, Europe, the Middle East, Asia Pacific and the Americas. The two Bermuda Clubs are managed by Charles Taylor & Co. (Bermuda). The Luxembourg Club is managed by S.C. Management (Luxembourg) SA, a Charles Taylor subsidiary.

Following the rationalisation of the Club's business structure, Charles Taylor has decided to move all of The Strike Club's administration to a single operating location in London and close its Monaco office. Monaco-based employees have been asked to consider moving to London but most have family and other commitments to the area and are unable or unwilling to do so. These employees have worked loyally for the managers over many years, in some cases several decades. The directors thank each of them for their collective and individual contributions and wish them the very best in the future.

Summary

The Strike Club is a mutual insurer offering cover at cost for delays which are outside the control of a vessel operator. The expansion into tailored delay, loss of hire and war risks covers demonstrates the Club's continuing quest for cover that responds to the needs of members and potential members. Ongoing development of delay and ancillary covers remains a priority for the Club.

The Strike Club continues to offer a highly competitive, comprehensive and efficient service to its members. The administration of the Club is undertaken by an experienced and professional management team which works closely with the boards of directors representing the members. The boards comprise senior representatives from high quality operators across the industry and around the world to promote and protect members' interests.

The directors thank each of the members and other insureds for their continued support and thank the broking community and the management team for their significant contributions to date and for their commitment to the future success of The Strike Club.

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Report on the Audit of the Financial Statements

The Members
The Strike Club

Opinion

We have audited the combined financial statements of The Shipowners' Mutual Strike Association (Bermuda) Limited and Subsidiary, The Shipowners' Mutual Strike Insurance Association (Bermuda) Limited and The Shipowners' Mutual Strike Insurance Association Europe ("the Group"), which comprise the combined statement of financial position as at January 31, 2017, and the combined statement of comprehensive loss, combined statement of changes in equity and combined statement of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Group as at January 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Combined Financial Statements

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

In preparing the combined financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Ltd.

April 27, 2017

THE STRIKE CLUB
COMBINED STATEMENT OF FINANCIAL POSITION
As at 31 January 2017

	Note	2017 USD 000's	2016 USD 000's
Assets			
Financial assets	4	13,231	14,629
Receivable from associated company	8	250	250
Debtors and other receivables	5,11	16,060	20,732
Recoverable from reinsurers and others	6	9,316	9,672
Deferred reinsurance	6	1,651	1,792
Deferred discounts		839	795
Cash and cash equivalents	7	9,003	8,337
		50,350	**56,207**
Fund and liabilities			
Statutory reserves	8	1,250	1,250
Contingency reserves	9,11	25,693	26,680
Unearned premium reserve		5,664	5,316
Creditors and other payables	10,11	17,743	22,961
		50,350	**56,207**

A Le Guillard
President and Chairman

HG Williams
Vice President and Vice Chairman

WJ Robinson
Director, S.C. Management (Luxembourg) SA, Managers

W. Wood
General Manager, Charles Taylor & Co. (Bermuda), Managers

27 April 2017

THE STRIKE CLUB
COMBINED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 January 2017

	Note	2017 USD 000's	2016 USD 000's
Statutory reserves			
Statutory reserves at the beginning of the year		1,250	1,250
Increase in statutory reserves		-	-
Statutory reserves at the end of the year	8	**1,250**	**1,250**

	Note	2017 USD 000's	2016 USD 000's
Contingency reserves			
Revaluation reserve at the beginning of the year		(2)	(46)
Other contingency reserves at the beginning of the year		26,682	30,471
Contingency reserves at the beginning of the year	11	26,680	30,425
Items that may be reclassified subsequently to comprehensive income		(2)	44
Decrease from ordinary activities		(985)	(3,789)
	11	(987)	(3,745)
Revaluation reserve at the end of the year		(4)	(2)
Other contingency reserves at the end of the year		25,697	26,682
Contingency reserves at the end of the year	9	**25,693**	**26,680**

THE STRIKE CLUB
COMBINED STATEMENT OF COMPREHENSIVE LOSS
For the year ended 31 January 2017

	Note	2017 USD 000's	2016 USD 000's
Insurance result			
Delay calls net of returns		16,151	23,308
Loss of hire, war and other premiums		11,427	13,304
Gross earned premiums	11	**27,578**	**36,612**
Delay reinsurance premiums		(2,103)	(3,559)
Loss of hire and war reinsurance premiums		(3,577)	(5,350)
Outward reinsurance premiums		(5,680)	(8,909)
Net earned premiums		**21,898**	**27,703**
Claims incurred net of reinsurance	12	(13,803)	(19,887)
Insurance result		**8,095**	**7,816**
Operating expenses			
Operating expenses	11,13	(9,493)	(11,329)
Net insurance result after operating expenses		**(1,398)**	**(3,513)**
Financial income			
Net investment income/(loss)	15	567	(228)
Loss on exchange		(154)	(48)
Net financial income/(loss)		413	(276)
Decrease from ordinary activities		**(985)**	**(3,789)**
Other comprehensive income			
Revaluation reserve		(2)	44
Other comprehensive income		(2)	44
Total comprehensive loss		**(987)**	**(3,745)**

THE STRIKE CLUB
COMBINED STATEMENT OF CASH FLOWS
For the year ended 31 January 2017

Cash flows from operating activities	2017 USD' 000s	2016 USD' 000s
Cash inflows:		
Gross earned premiums received	32,622	32,080
Reinsurance recoveries	2,606	3,732
	35,228	35,812
Cash outflows:		
Reinsurance premiums	(5,450)	(6,339)
Gross claims paid	(19,327)	(24,672)
Other cash payments	(11,610)	(13,467)
	(36,387)	(44,478)
Net cash outflow from operating activities	**(1,159)**	**(8,666)**
Cash flows from investing activities		
Cash inflows:		
Interest received	91	158
Sale of investments	5,812	8,914
	5,903	9,072
Cash outflows:		
Purchase of investments	(3,938)	(4,890)
Net cash inflow/(outflow) from investing activities	**1,965**	**4,182**
Net cash outflow	**806**	**(4,484)**
Opening cash and cash equivalents	8,337	12,936
Effect of exchange rate movement	(140)	(115)
Closing cash and cash equivalents	**9,003**	**8,337**

1. Structure

"The Strike Club", or "the Group", consists of The Shipowners' Mutual Strike Insurance Association (Bermuda) Limited ("Strike Insurance Bermuda"), The Shipowners' Mutual Strike Insurance Association Europe ("Strike Insurance Europe") and The Shipowners' Mutual Strike Association (Bermuda) Limited ("Strike Association Bermuda"), together with Strike Association Bermuda's wholly owned dormant subsidiary, Strike Club Europe Limited ("Strike Club Europe"). Strike Club Europe was incorporated in the UK on 9 November 2015 and submitted an application to the PRA to conduct insurance business. It withdrew this application following the UK's Brexit vote and it has not started trading, so it remains dormant. Until 31 January 2017, Strike Insurance Europe, incorporated in Luxembourg with its registered office at 74 Rue de Merl, Luxembourg, insured members who need or prefer an EU insurer. With effect from September 2015, Strike Insurance Europe also writes war risks and loss of hire. From 1 February 2017, all new business to The Strike Club is underwritten by Strike Insurance Europe.

With effect from 1 February 2017, Strike Insurance Bermuda has ceased to write insurance business. It will continue for the purpose of meeting its obligations to members entered in it for the 2016/17 and earlier policy years, with Strike Association Bermuda continuing to support Strike Insurance Bermuda as quota share reinsurer.

All members of Strike Insurance Europe and Strike Insurance Bermuda are members of Strike Association Bermuda which conducts reinsurance operations and writes war risks and loss of hire on a fixed premium basis. Strike Insurance Europe and Strike Insurance Bermuda are non-voting members of Strike Association Bermuda. Strike Insurance Bermuda and Strike Association Bermuda have their registered offices at Swan Building, 2nd Floor, 26 Victoria Street, Hamilton, Bermuda.

Under the mutual principle, the members of Strike Insurance Europe and Strike Insurance Bermuda act as insurer whilst also being insured, and the members collectively exert voting control. They can therefore be regarded as related parties for the purposes of IAS 24. No single transaction is of such materiality to require separate disclosure.

There is a tripartite agreement between the parties which provides that Strike Insurance Bermuda and Strike Insurance Europe pursue an identical policy for the levying and rating of calls and that claims be dealt with in a consistent and uniform manner. Strike Club Europe will become a party to this agreement. Quota share reinsurance agreements have been entered into whereby the direct insurers each reinsure the majority of their insurance liability with Strike Association Bermuda.

These combined financial statements are presented on the basis that the financial statements of Strike Insurance Europe, Strike Insurance Bermuda and Strike Association Bermuda are accumulated, with 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.

On 1 March 2015, Charles Taylor plc took over the management of The Strike Club under the terms of a new management contract with an initial term that will now expire on 31 January 2020. Charles Taylor plc's subsidiary, Charles Taylor & Co. (Bermuda) has taken over the management of Strike Association Bermuda and Strike Insurance Bermuda. Charles Taylor plc has acquired S.C. Management (Luxembourg) SA as a 100% owned subsidiary which continues to manage Strike Insurance Europe.

2. Accounting policies

(a) Basis and currency of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis, except for those financial assets that have been measured at fair value, and the accounting policies are consistent with those of the previous financial year.

Current IFRS and IFRIC interpretations applicable during the year that had a material effect on the financial statements are:

- IFRS 13 Fair Value Hierarchy amended by Annual Improvements 2011–2013 Cycle
- IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

Current IFRS and IFRIC interpretations applicable during the year that had no material effect on the financial statements are:

- IFRS 1 Government Loans - Amendments to IFRS 1
- IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 19 Employee Benefits (Revised)
- IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments)
- IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36
- IFRIC 21 Levies

Standards, amendments and interpretations issued but not yet effective at the date of issuance of the financial statements are:

- IAS 7 Statement of Cash Flows Amended by Disclosure Initiative (Amendments to IAS 7)

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.

(b) Combination

The combined financial statements include the financial statements of Strike Insurance Europe, Strike Insurance Bermuda and the consolidated financial statements of Strike Association Bermuda, which include the accounts of its wholly owned dormant subsidiary, Strike Club Europe. The scope of combination does not cover the management companies owned by Charles Taylor plc. The financial statements of all Group companies are prepared for the same reporting year using consistent policies.

(c) Foreign currencies

Assets and liabilities in foreign currencies have been translated to US dollars at 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 reported in the combined statement of comprehensive income.

(d) 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.

(e) Estimated outstanding claims

Claims are assessed on a case by case basis and provision is made for the expected liability based on the claim by the member or insured. The claims provision is further complemented with a provision for IBNR where appropriate. These assessments are made taking into account the risk of further claims and potential claims deterioration.

(f) Financial assets

The managers determine the classification of investments at initial recognition and re-evaluate this at each reporting date. Investments are initially recognised at fair value based on current bid prices. Purchases and sales of investments are recognised on the trade date, the date on which one commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred with substantially all risks and rewards of ownership.

Most investments are classified as financial assets at fair value through income. Financial assets at fair value through income are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through income are included in the income statement in the period in which they arise.

Financial assets held in available for sale portfolios are stated at fair value in the combined financial statements. On realisation the proceeds are set against cost on a FIFO basis and the resulting profit or loss taken to the combined statement of comprehensive income. These investments 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. Objective evidence includes a significant or prolonged decline in fair value below cost, where 50% is treated as significant and 18 months is treated as prolonged. 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.

(g) Reinsurance

The Group cedes insurance risk for all of their businesses. Amounts recoverable from reinsurers represent balances due from reinsurance companies. They are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurance contracts. Reinsurance assets are reviewed for impairment quarterly or when an indication of impairment arises. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Any impairment loss is recorded in the combined statement of comprehensive income.

(h) 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.

(i) Calls and premiums

Delay calls include advance, interim, closing and release calls, net of bad debts. They include closing calls which the directors expect to be called within eighteen months of the balance sheet date and for which members have been asked to budget. Returns are debited in the accounting period to which they relate. Loss of hire, war and other 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, with movements on the reserve for unearned premiums reflected in the combined statement of comprehensive income. Unearned premiums are calculated pro rata by reference to individual policy dates.

(j) Claims

Claims and related expenses, including internal claims handling costs, are included in the combined 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 combined statement of comprehensive income in the period in which they arise.

(k) Operating expenses

Operating expenses include acquisition costs, management fees and administration expenses. Management fees are allocated to claims, acquisition, financial and general management functions on the basis of salaries.

(l) Cash flow statement

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

3. Exchange rates

The following rates of exchange were applicable at the balance sheet dates:

	2017 USD 1 equals	2016 USD 1 equals
Australian dollar	1.3231	1.4137
Canadian dollar	1.3093	1.4073
Danish krone	6.9572	6.8968
Euro	0.9354	0.9242
Japanese yen	113.8350	121.0650
New Zealand dollar	1.3733	1.5456
Norwegian krone	8.3147	8.7277
Pound sterling	0.7991	0.7050
Swedish krona	8.8315	8.5750
Swiss franc	0.9971	1.0247

4. Financial assets

Carrying values and fair value hierarchy

		2017 Carrying value USD 000's	2017 Fair value USD 000's	2016 Carrying value USD 000's	2016 Fair value USD 000's
Available for sale	debt securities	996	996	998	998
At fair value through income	debt securities	7,153	7,153	8,870	8,870
	mutual funds - debt	2,294	2,294	917	917
	equities	2,788	2,788	2,499	2,499
	mutual funds - equity	-	-	1,345	1,345
		12,235	12,235	13,631	13,631
Financial assets		13,231	13,231	14,629	14,629

Fair values and fair value hierarchy

At 31 January 2017, 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.

All of the Group's financial instruments are assessed as Level 1 during the reporting period ending 31 January 2017 (2016: all Level 1) and there were no transfers between levels.

Carrying values

	Held to maturity USD 000's	Available for sale USD 000's	Fair value through income USD 000's	Total USD 000's
At 31 January 2015	-	2,007	16,954	18,961
Purchases	-	-	4,865	4,865
Maturities/(loss)	-	(1,054)	-	(1,054)
Disposals	-	-	(7,902)	(7,902)
Fair value gains recorded in income	-	-	(286)	(241)
At 31 January 2016	-	998	13,631	14,629
Purchases	-	-	3,924	3,924
Disposals	-	-	(5,757)	(5,757)
Fair value gains recorded in income	-	(2)	437	435
At 31 January 2017	-	996	12,235	13,231

Debt securities

	Available for sale USD 000's	Fair value through income USD 000's	Total USD 000's
Maturity at 31 January 2017			
Within one year	-	1,951	1,951
One year to five years	996	5,202	6,198
Debt securities at carrying value	996	7,153	8,149
Maturity at 31 January 2016			
Within one year	-	1,053	1,053
One year to five years	998	7,180	8,178
Five years to ten years	-	637	637
Debt securities at carrying value	998	8,870	9,868

	Available for sale USD 000's	Fair value through income USD 000's	Total USD 000's
Coupon at 31 January 2017			
Fixed rate	996	6,902	7,898
Floating rate	-	251	251
Debt securities at carrying value	996	7,153	8,149
Coupon at 31 January 2016			
Fixed rate	998	8,125	9,123
Floating rate	-	745	745
Debt securities at carrying value	998	8,870	9,868

	Available for sale	Fair value through income	Total
Rating at 31 January 2017			
AAA	100%	14%	14%
AA	-	29%	29%
A	-	41%	41%
BBB	-	15%	15%
Rating at 31 January 2016			
AAA	100%	14%	23%
AA	-	34%	30%
A	-	40%	36%
BBB	-	12%	11%

Investments are, for the most part, managed under external investment mandates with first class banks. The performance of these portfolios is regularly reviewed by an investment committee appointed by the directors. This committee also regularly reviews strategy and proposes changes for the directors' consideration. The Group has strict investment guidelines, which are based on a conservative investment profile. Cash and deposits are placed with first class banks approved by the directors.

5. Risk management

Framework
The Group has an audit committee which has been appointed by the directors to review, amongst other items, the risk management functions of the Group. 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
The principal financial instruments comprise equities, equity funds, bond funds, bonds, short term deposits and cash. The main purpose of these financial instruments is to finance the Group's activities. The Group is exposed to market risk, foreign exchange risk, interest rate risk, credit risk and liquidity risk. The overall risk management programme 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 against the US dollar, mainly to the Euro and to Sterling. The Group has not historically hedged foreign exchange exposures, although the investment portfolio managers have been permitted to use derivatives within strict limits. However, since 31 January 2017, Strike Association Bermuda has entered into forward contracts and option contracts to hedge part of its Sterling exposure to management costs.

The Group has assessed its exposures to each currency and has calculated that a 10% appreciation of the US dollar against major currencies at 31 January 2017 would increase contingency reserves by approximately $25,000 due to revaluation of financial instruments, with a 10% depreciation resulting in a $25,000 decrease. There were no other significant currency exposures at 31 January 2017.

Interest rate risk
The Group is not subject to interest rate fluctuations other than in relation to bonds. For fixed rate bonds, the contribution to the income of the Group does not vary with the market rate of interest but the interest rate variation affects fair values. 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 assessed the interest rates applicable to its bond holdings and has calculated that, allowing for the impact on the fair values of fixed rate bonds, a 1% increase in US LIBOR at 31 January 2017 would decrease income by approximately $100,000 in the following year.

Credit risk
Besides financial investments, the Group is exposed to credit risk on receivables from members, insureds, reinsurers and others. The managers estimate that the Group exposure to default credit risk is low despite the difficult freight market that many ship operators face. The ageing of receivables is as follows:

	Neither past due nor impaired	0-6 mths	6-12 mths	Over 12 mths	Carrying value USD 000's
Debtors and other receivables	90%	7%	2%	1%	16,060
Recoverable from reinsurers and others	100%	-	-	-	8,719
31 January 2017					24,779

	Neither past due nor impaired	0-6 mths	6-12 mths	Over 12 mths	Carrying value USD 000's
Debtors and other receivables	93%	5%	1%	1%	20,732
Recoverable from reinsurers and others	100%	-	-	-	9,672
31 January 2016					30,404

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. In addition, 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:

	2017 USD 000's	2016 USD 000's
Opening doubtful debt provision	175	251
Bad debt charge during the year	66	20
Subsequent recoveries of amounts provided for	-	-
Amounts written off	-	(96)
Closing doubtful debt provision	241	175

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's debtors and creditors.

	2017 USD 000's	2016 USD 000's
Receivables		
Receivable from associated company	250	250
Debtors and other receivables	16,060	20,732
Recoverable from reinsurers and others	9,316	9,672
Deferred reinsurance	1,651	1,792
Deferred discounts	839	795
	28,116	33,241
Due within 12 months	25,498	29,340
Due later	2,618	3,901
	28,116	33,241
Payables		
Unearned premium reserve	5,664	5,316
Creditors	17,743	22,961
	23,407	28,277
Expected to be settled within 12 months	22,749	27,619
Expected to be settled later	658	658
	23,407	28,277

Insurance risk

The Strike Club covers defined delay risks on a mutual basis under the rules of Strike Insurance Bermuda and Strike Insurance Europe. The Club also offers war risks, loss of hire, ancillary delay risks and profit protection for time charterers on fixed premium terms. New products are only introduced after review by the directors.

Delay calls are sensitive to daily entered amounts, the position of the freight market, claims records and the general claims environment. Delay claims are dependent on the daily entered amounts and the general claims environment worldwide, and they are short tail. The Club's experience is that certain events, such as a national strike or the closure of a significant port or waterway, can lead to an aggregation of claims.

Loss of hire premiums are sensitive to daily entered amounts, the position of the freight market, claims records and rates in the marine insurance market. Loss of hire cover up to $5 million is offered on a selective basis to insureds whose profiles have been predetermined in conjunction with the directors. The profiles take into account the type and age of the vessels, previous loss records and the reputation of the insured. Loss of hire claims can be notified in certain circumstances up to two years after the termination of the contract of insurance.

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.

In order to protect the contingency reserves against these various risks, the Group has entered into reinsurance agreements to provide coverage protecting against major incidents as well as certain specific risks. The policies which cover the period are excess of loss, quota share, facultative or stop loss. For the most part, reinsurances are placed annually. Reinsurances are placed in the Lloyd's market or with reinsurers rated A or better, through recognised reinsurance brokers, and are agreed by the directors.

6. Recoverable from reinsurers and others

A total of $9,316,000 is outstanding from reinsurers at year end (2016: $9,672,000). The total outstanding includes $594,000 (2016: $2,759,000) estimated in respect of events prior to the balance sheet date as recoverable on the commutation of an external reinsurance policy. This policy can be commuted at The Strike Club's option after 30 June 2017 or earlier by negotiation.

7. Cash and cash equivalents

	2017 USD 000's	2016 USD 000's
Cash at bank and in hand	9,003	8,337
	9,003	8,337

8. Associated company balance and statutory reserves

An amount of $250,000 being part of subordinated loan from Strike Association Bermuda to Strike Insurance Bermuda was allocated to the latter company's statutory reserves. The amount has therefore not been eliminated on combination.

The statutory reserves are as follows:

	2017 USD 000's	2016 USD 000's
Strike Association Bermuda	1,000	1,000
Strike Insurance Bermuda	250	250
	1,250	1,250

9. Contingency reserves

The contingency reserves totalling $25,693,000 (2016: $26,680,000) comprise the accumulated excess of recorded income over claims and expenses for all policy years to date. Any surplus on reserves may, at the discretion of the directors, be retained and applied for the purposes of the Group.

The contingency reserves represent the retained capital of the Group and are used to provide solvency reserves. There are statutory requirements in Bermuda and Luxembourg where the Associations are licensed, which require minimum levels of capital and solvency. The Associations have respected these levels throughout the year. The directors regularly review the level of reserves in relation to the business underwritten.

10. Creditors and other payables

	2017 USD 000's	2016 USD 000's
Amounts due in respect of insurance and reinsurance contracts	2,244	3,892
Estimated outstanding claims	13,874	16,836
Insurance accruals	1,316	1,972
Other expense provisions	309	261
	17,743	22,961

Estimated outstanding claims represent:

	2017 USD 000's	2016 USD 000's
Delay 2014/15 underwriting year	218	1,915
Delay 2015/16 underwriting year	425	4,641
Delay 2016/17 underwriting year	3,732	-
Loss of hire	8,841	9,047
War risks	658	909
	13,874	16,512

11. Gross earned premiums

	2017 USD 000's	2016 USD 000's
Advance calls	13,297	14,801
Closing and release calls	2,854	8,507
Delay calls net of returns	16,151	23,308
Loss of hire, war and other premiums	11,427	13,304
	27,578	36,612

Mutual calls include budgeted closing calls notified to members of 20% for Classes I, II & III for the 2016/2017 underwriting year (2016: budgeted closing calls notified to members of 40% in Classes I, II & III for the 2015/2016 underwriting year).

The mutual delay cover is provided under the rules of Strike Insurance Bermuda and Strike Insurance Europe, as approved by the mutual members, and the cover is coterminous with the financial year end. The latest rulebooks are available from the managers and on the website.

Loss of hire, war and other 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.

12. Claims incurred net of reinsurance

	2017 USD 000's	2016 USD 000's
Approved claims and external costs	17,906	24,540
Reinsurance recoveries	(2,764)	(5,829)
Change in estimated outstanding claims	(2,962)	(408)
Claims handling costs (note 14)	1,623	1,584
	13,803	19,887

13. Operating expenses

	2017 USD 000's	2016 USD 000's
Brokerage	3,266	4,408
Management fees (note 14)	4,870	4,752
Directors fees	309	158
Travelling and meeting expenses	439	311
Directors and officers insurance	14	86
Legal and professional fees	180	1,116
Audit fees	161	168
Advertising, printing and stationery	65	70
Taxation	68	75
Other costs	121	185
	9,493	11,329

The Strike Club is not liable to taxation in Bermuda. Luxembourg taxation arises on disallowable expenses in Strike Insurance Europe in accordance with the regime currently applying to marine mutuals in that jurisdiction. There are no deferred tax provisions arising.

14. Management fees

The fees charged by the managers are 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 fees are apportioned across three functions, which are included in the financial statements as follows:

	2017 USD 000's	2016 USD 000's
Acquisition costs	1,818	1,774
Financial and general	3,052	2,978
Management fees in operating expenses (note 13)	4,870	4,752
Claims handling costs (note 12)	1,623	1,584
	6,493	6,336

15. Investment income

	Cash & deposits USD 000's	Available for sale USD 000's	Fair value through income USD 000's	Total USD 000's
Year ended 31 January 2017				
Interest income	-	11	140	151
Loss on sales and fair value movements	-	-	478	478
Investment costs	-	(1)	(61)	(62)
	-	10	557	567
Year ended 31 January 2016				
Interest income	-	19	200	219
Loss on sales and fair value movements	-	(54)	(301)	(355)
Investment costs	(5)	-	(87)	(92)
	(5)	(35)	(188)	(228)

16. Commitments

At 31 January 2017 and at 31 January 2016 the Group had no material commitments.

17. Authorisation for issue and post balance sheet events

These financial statements for the year ended 31 January 2017 were authorised for issue in accordance with a resolution of the directors on 27 April 2017.

Between the balance sheet date and 27 April 2017, there have been no events arising that would have a material effect on these financial statements and which need to be recorded or disclosed.

THE STRIKE CLUB
COMBINED STATEMENT OF FINANCIAL POSITION BY CLASS
As at 31 January 2017

	Class I&II USD 000's	Class III USD 000's	LoH, War & Other USD 000's	2017 USD 000's	2016 USD 000's
Assets					
Financial assets	5,689	7,542	-	13,231	14,629
Receivable from associated company	209	41	-	250	250
Debtors and other receivables	4,987	5,251	5,822	16,060	20,732
Recoverable from reinsurers and others	726	2,369	6,221	9,316	9,672
Deferred reinsurance	-	-	1,651	1,651	1,792
Deferred discounts	-	-	839	839	795
Class accounts	(2,580)	(3,420)	6,000	-	-
Cash and cash equivalents	514	10,753	(2,264)	9,003	8,337
	9,545	**22,536**	**18,269**	**50,350**	**56,207**
Fund and liabilities					
Statutory reserves	962	288	-	1,250	1,250
Contingency reserves	5,404	19,194	1,095	25,693	26,680
Unearned premium reserve	-	-	5,664	5,664	5,316
Creditors and other payables	3,179	3,054	11,510	17,743	22,961
	9,545	**22,536**	**18,269**	**50,350**	**56,207**

This page does not form part of the audited financial statements

THE STRIKE CLUB
COMBINED STATEMENT OF CHANGES IN EQUITY BY CLASS
For the year ended 31 January 2017

	Class I&II USD 000's	Class III USD 000's	LoH, War & Other USD 000's	2017 USD 000's	2016 USD 000's
Statutory reserves					
Statutory reserves at the beginning of the year	962	288	-	1,250	1,250
Increase in statutory reserves	-	-	-	-	-
Statutory reserves at the end of the year	**962**	**288**	**-**	**1,250**	**1,250**

	Class I&II USD 000's	Class III USD 000's	LoH, War & Other USD 000's	2017 USD 000's	2016 USD 000's
Contingency reserves					
Revaluation reserve at the beginning of the year	(1)	(1)	-	(2)	(46)
Other contingency reserves at the beginning of the year	5,176	18,239	3,267	26,682	30,471
Contingency reserves at the beginning of the year	5,175	18,238	3,267	26,680	30,425
Items that may be reclassified subsequently to comprehensive income	(1)	(1)	-	(2)	44
Decrease from ordinary activities	230	957	(2,172)	(985)	(3,789)
	229	956	(2,172)	(987)	(3,745)
Revaluation reserve at the end of the year	(2)	(2)	-	(4)	(2)
Other contingency reserves at the end of the year	5,406	19,196	1,095	25,697	26,682
Contingency reserves at the end of the year	**5,404**	**19,194**	**1,095**	**25,693**	**26,680**

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THE STRIKE CLUB
COMBINED STATEMENT OF COMPREHENSIVE LOSS BY CLASS
For the year ended 31 January 2017

	Class I&II USD 000's	Class III USD 000's	LoH, War & Other USD 000's	2017 USD 000's	2016 USD 000's
Insurance result					
Delay calls net of returns	6,717	9,434	-	16,151	23,308
Loss of hire, war and other premiums	-	-	11,427	11,427	13,304
Gross earned premiums	**6,717**	**9,434**	**11,427**	**27,578**	**36,612**
Delay reinsurance premiums	(617)	(1,486)	-	(2,103)	(3,559)
Loss of hire and war reinsurance premiums	-	-	(3,577)	(3,577)	(5,350)
Outward reinsurance premiums	(617)	(1,486)	(3,577)	(5,680)	(8,909)
Net earned premiums	**6,100**	**7,948**	**7,850**	**21,898**	**27,703**
Claims incurred net of reinsurance	(3,890)	(4,293)	(5,620)	(13,803)	(19,887)
Insurance result	**2,210**	**3,655**	**2,230**	**8,095**	**7,816**
Operating expenses					
Operating expenses	(2,056)	(2,903)	(4,534)	(9,493)	(11,329)
Net insurance result after operating expenses	**154**	**752**	**(2,304)**	**(1,398)**	**(3,513)**
Financial income					
Net investment (loss)/income	153	414	-	567	(228)
Loss on exchange	(77)	(209)	132	(154)	(48)
Net financial income/(loss)	76	205	132	413	(276)
Decrease from ordinary activities	**230**	**957**	**(2,172)**	**(985)**	**(3,789)**
Other comprehensive income					
Revaluation reserve	(1)	(1)	-	(2)	44
Other comprehensive income	(1)	(1)	-	(2)	44
Total comprehensive loss	**229**	**956**	**(2,172)**	**(987)**	**(3,745)**

This page does not form part of the audited financial statements