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The Shipowners' Mutual Strike Insurance Association Europe

Financial Statements (IFRS)

For the year ended
31 January 2017

Independent auditor's report

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

Report on the financial statements

Following our appointment by the General Meeting of the Members dated 30 June 2016, we have audited the accompanying financial statements of The Shipowners' Mutual Strike Insurance Association Europe, which comprise the balance sheet as at 31 January 2017, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 judgement of the "réviseur d'entreprises agréé", 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 "réviseur d'entreprises agréé" 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 the Board of Directors, 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 financial statements give a true and fair view of the financial position of The Shipowners' Mutual Strike Insurance Association Europe as of 31 January 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ernst & Young
Société anonyme
Cabinet de révision agréé



Jean-Michel Pacaud

Luxembourg, 27 April 2017

THE SHIPOWNERS' MUTUAL STRIKE INSURANCE ASSOCIATION EUROPE
STATEMENT OF FINANCIAL POSITION
As at 31 January 2017

	Note	2017 USD 000's	2016 USD 000's
Assets			
Financial assets	4	996	998
Debtors and other receivables	5,11	8,283	6,620
Recoverable from reinsurers and others	6	2,563	788
Receivable from associated company	12	4,719	-
Deferred reinsurance	6	708	52
Deferred discounts		714	446
Cash and cash equivalents	7	5,407	2,726
		23,390	11,630
Fund and liabilities			
Contingency reserves	8,11	9,352	3,031
Subordinated loan from associated company	9	1,000	1,000
Balances payable to associated company	12	-	1,194
Unearned premium reserve		4,656	2,888
Creditors and other payables	10,11	8,382	3,517
		23,390	11,630

A Le Guillard
 President and Chairman

HG Williams
 Vice President and Vice Chairman

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

27 April 2017

THE SHIPOWNERS' MUTUAL STRIKE INSURANCE ASSOCIATION EUROPE
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 January 2017

	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		3,033	1,341
Contingency reserves at the beginning of the year		<u>3,031</u>	<u>1,295</u>
Items that may be reclassified subsequently to comprehensive income		(2)	44
Increase from ordinary activities		6,323	1,692
	11	<u>6,321</u>	<u>1,736</u>
Revaluation reserve at the end of the year		(4)	(2)
Other contingency reserves at the end of the year		9,356	3,033
Contingency reserves at the end of the year	8,11	<u>9,352</u>	<u>3,031</u>

THE SHIPOWNERS' MUTUAL STRIKE INSURANCE ASSOCIATION EUROPE
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 January 2017

	Note	2017 USD 000's	2016 USD 000's
Insurance result			
Delay calls net of returns		8,817	6,148
Loss of hire, war and other premiums		6,119	744
Gross earned premiums	11	14,936	6,892
Market reinsurance premiums		(842)	(292)
Reinsurance premiums to associated company	12	(3,674)	(2,048)
Outward reinsurance premiums		(4,516)	(2,340)
Net earned premiums		10,420	4,552
Claims incurred net of reinsurance	13	(1,442)	(1,231)
Insurance result		8,978	3,321
Operating expenses			
Operating expenses	11,14	(2,588)	(1,597)
Net insurance result after operating expenses		6,390	1,724
Financial income			
Net investment income/(loss)	4	11	(37)
(Loss)/gain on exchange		(78)	5
Net financial loss		(67)	(32)
Increase from ordinary activities		6,323	1,692
Other comprehensive income			
Revaluation reserve		(2)	44
Other comprehensive income		(2)	44
Total comprehensive income		6,321	1,736

THE SHIPOWNERS' MUTUAL STRIKE INSURANCE ASSOCIATION EUROPE
STATEMENT OF CASH FLOWS
For the year ended 31 January 2017

Cash flows from operating activities

	2017 USD 000's	2016 USD 000's
<i>Cash inflows:</i>		
Gross earned premiums received	15,291	5,637
Reinsurance recoveries	337	2,526
	<u>15,628</u>	<u>8,163</u>
<i>Cash outflows:</i>		
Reinsurance premiums	(1,847)	(546)
Gross claims paid	(6,520)	(5,509)
Transfers to associated company	(1,900)	(971)
Other cash payments	(2,619)	(1,417)
	<u>(12,886)</u>	<u>(8,443)</u>
Net cash inflow/(outflow) from operating activities	2,742	(280)

Cash flows from investing activities

<i>Cash inflows:</i>		
Interest received	11	47
Subordinated loan from associated company	-	-
Sale of investments	-	1,000
	<u>11</u>	<u>1,047</u>
<i>Cash outflows:</i>		
Purchase of investments	-	-
Net cash inflow from investing activities	11	1,047

Net cash inflow

	2,753	767
Opening cash and cash equivalents	2,726	1,958
Effect of exchange rate movement	(72)	1
Closing cash and cash equivalents	5,407	2,726

The Shipowners' Mutual Strike Insurance Association Europe

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2017

1. Structure and context

"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 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.

These financial statements are presented in the same format and using the same accounting policies as the other Associations within The Strike Club economic grouping. The relationship between the Associations is explained further in note 12. Statutory financial statements prepared under Luxembourg law are available at the registered office Strike Insurance Europe.

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 Financial Statements - 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

The Shipowners' Mutual Strike Insurance Association Europe

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2017

- 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)
- IFRS 4 Insurance Contracts – Amendments regarding the interaction of IFRS 4 and IFRS9

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) 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 statement of comprehensive income.

(c) Estimates

The preparation of the 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(d) 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.

Financial assets are held in available for sale portfolios and stated at fair value in the financial statements. On realisation the proceeds are set against cost on a FIFO basis and the resulting profit or loss taken to the 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.

(e) 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

The Shipowners' Mutual Strike Insurance Association Europe

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2017

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.

(f) 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.

(g) 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. 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.

(h) Estimated outstanding claims

Provision has been made for claims on the basis of information received on claims admitted prior to the year end. Claims are assessed on a case by case basis and provision is made for the expected liability based on the claim by the member. The provision for IBNR is considered as nil.

(i) Claims

Claims and related expenses, including internal claims handling costs, are included in the 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 statement of comprehensive income in the period in which they arise. Changes in claims provisions are shown net of quota share reinsurance in the statement of comprehensive income.

(j) 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.

(k) 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	2016
	USD 1 equals	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

The Shipowners' Mutual Strike Insurance Association Europe

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2017

4. Financial assets

Financial assets available for sale

Strike Insurance Europe has investments in debt securities (government and supranational bonds) and their fair value at 31 January 2017 is \$996,000 (2016: \$998,000). The original cost at 31 January 2017 is \$998,000 (2016: \$998,000).

Fair value hierarchy

At 31 January 2017, Strike Insurance Europe 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 Strike Insurance Europe'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.

Strike Insurance Europe assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

Financial assets have the following maturities:

	2017 USD 000's	2016 USD 000's
Within one year	-	-
Greater than one year less than four years	996	998
	<u>996</u>	<u>998</u>

Net investment income from the financial instruments is:

	2017 USD 000's	2016 USD 000's
Interest from cash and cash equivalents	-	-
Coupons from available for sale fixed coupon bonds	12	19
Loss on sale of investments	-	(54)
Investment costs	(1)	(2)
	<u>11</u>	<u>(37)</u>

5. Risk management

Framework

Strike Insurance Europe 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 bonds and cash. The main purpose of these financial instruments is to finance Strike Insurance Europe activities. Strike Insurance Europe 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 Strike Insurance Europe. The risk management policies employed by Strike Insurance Europe to manage these risks are discussed below.

The Shipowners' Mutual Strike Insurance Association Europe

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2017

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

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

Strike Insurance Europe 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 decrease contingency reserves by approximately \$603,000 due to revaluation of financial instruments, with a 10% depreciation resulting in a \$603,000 increase. There were no other significant currency exposures at 31 January 2017.

Interest rate risk

Strike Insurance Europe is not subject to interest rate fluctuations other than in relation to bonds. The bond holding consists of one fixed rate AAA rated \$ bond due for redemption on 23 May 2018. Strike Insurance Europe has assessed the interest rates applicable to its bond holdings and has calculated that, after 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 less than \$10,000 in the following year.

Credit risk

Besides financial investments, Strike Insurance Europe is exposed to credit risk on receivables from members. The managers estimate that Strike Insurance Europe's exposure to default credit risk is low despite the difficult freight market that many ship operators face. The ageing of Strike Insurance Europe 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	87%	12%	1%	-	8,283
Recoverable from reinsurers and others	100%	-	-	-	2,563
31 January 2017					<u>10,846</u>
	Neither past due nor impaired	0-6 mths	6-12 mths	Over 12 mths	carrying value USD 000's
Debtors and other receivables	94%	5%	1%	-	6,620
Recoverable from reinsurers and others	100%	-	-	-	788
31 January 2016					<u>7,408</u>

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

	2017 USD 000's	2016 USD 000's
Opening doubtful debt provision	14	24
Bad debt charge during the year	89	(2)
Subsequent recoveries of amounts provided for	-	-
Amounts written off	-	(8)
Closing doubtful debt provision	<u>103</u>	<u>14</u>

Liquidity risk

Strike Insurance Europe's investments are relatively short term and liquid, thus limiting liquidity risk. The following table outlines the expected liquidity in relation to debtors and creditors.

The Shipowners' Mutual Strike Insurance Association Europe

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2017

	2017 USD 000's	2016 USD 000's
Receivables		
Debtors, due within 12 months	8,283	6,620
Recoverable from reinsurers and others, due within 12 months	1,886	392
Recoverable from reinsurers and others, due later	677	396
Deferred reinsurance	708	52
Deferred discounts	714	446
Payables		
Creditors, expected to be settled within 12 months	8,382	3,517
Unearned premium reserve	4,656	2,888

Insurance risk

Strike Insurance Europe covers defined risks on a mutual basis for delay, and on fixed premium contract wordings for war risks, loss of hire, ancillary delay risks and profit protection for time charterers. 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. Strike Insurance Europe'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 board. 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.

In order to protect the contingency reserves against these various risks, Strike Insurance Europe 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, other than the quota share reinsurance described in note 12, are placed in the Lloyd's market or with reinsurers rated A or better, through recognised reinsurance brokers, and are agreed by the board of directors.

6. Recoverable from reinsurers and others

Reinsurance recoveries of \$2,563,000 are outstanding at the year end (2016: \$788,000). The total outstanding includes \$677,000 (2016: \$396,000) in respect of events prior to the balance sheet date, 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. The \$677,000 is a gross estimate which is quota share reinsured with Strike Association Bermuda. There are no recoverable subrogated amounts outstanding at the year end (2016: \$nil).

7. Cash and cash equivalents

	2017 USD 000's	2016 USD 000's
Cash at bank and in hand	5,407	2,726
	5,407	2,726

8. Contingency reserves

The contingency reserves of \$9,352,000 (2016: \$3,031,000) comprise the accumulated excess of recorded income over claims and expenses for all policy years to date. Any surplus on the reserves may, at the discretion of the directors, be retained and applied for the purposes of Strike Insurance Europe.

The Shipowners' Mutual Strike Insurance Association Europe

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2017

The contingency reserves represent the retained capital of Strike Insurance Europe and are used to provide solvency reserves. There are statutory requirements in Luxembourg where Strike Insurance Europe is licensed, which require minimum levels of capital and solvency. The directors regularly review the level of reserves in relation to the business underwritten.

9. Subordinated loan from associated company

A subordinated loan of \$1 million (2016: \$1 million) is due to Strike Association Bermuda. This amount is repayable on demand, subject to all other debts of Strike Insurance Europe.

10. Creditors and other payables

	2017 USD 000's	2016 USD 000's
Amounts due in respect of insurance and reinsurance contracts	1,716	1,112
Estimated outstanding claims before quota share reinsurance	6,120	1,882
Insurance accruals	461	462
Other expense provisions	85	61
	8,382	3,517

Estimated outstanding claims represent:

	2017 USD 000's	2016 USD 000's
Delay 2014-2015 underwriting year	81	129
Delay 2015-2016 underwriting year	139	1,003
Delay 2016-2017 underwriting year	2,015	-
Loss of hire 2015-2016	3,190	750
Loss of hire 2016-2017	695	-
	6,120	1,882

11. Gross earned premiums

	2017 USD 000's	2016 USD 000's
Advance calls	7,325	3,976
Closing calls and release calls	1,492	2,172
Delay calls net of returns	8,817	6,148
Loss of hire, war and other premiums	6,119	744
	14,936	6,892

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 Class I, II & III delay cover is provided under the rules of Strike Insurance Europe, approved by the members, and the cover is coterminous with the financial year end. The current rulebook is 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.

The Shipowners' Mutual Strike Insurance Association Europe

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2017

12. Associated companies and quota share reinsurance

Strike Insurance Europe was set up in 1995 as part of the restructuring of Strike Association Bermuda in order to obtain a European insurance licence with 'passport rights' to comply with European legislation. Strike Insurance Bermuda was set up at the same time.

There is a tripartite agreement which provides that Strike Insurance Europe and Strike Insurance Bermuda pursue an identical policy for the levying and rating of calls and that claims be dealt with in a consistent and uniform manner. In accordance with the Rules, the liability of the members is limited to advance, interim and closing calls set by the directors. Quota share reinsurance agreements have been entered into whereby Strike Insurance Europe and Strike Insurance Bermuda each reinsure the majority of their insurance liability with Strike Association Bermuda.

As a reminder, 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 2016/17 and earlier policy years, with Strike Association Bermuda continuing to support Strike Insurance Bermuda as quota share reinsurer.

Under the quota share reinsurance agreement the following amounts have been charged in the statement of comprehensive income:

	2017	2016
	USD 000's	USD 000's
Quota share premium	3,674	2,048
Quota share claims (note 13)	(5,324)	(4,610)

13. Claims incurred net of reinsurance

	2017	2016
	USD 000's	USD 000's
Approved claims and external costs	6,263	5,424
Recoverable under quota share reinsurance (note 12)	(5,324)	(4,610)
Other reinsurance recoveries	(799)	(469)
Change in estimated outstanding claims	1,199	769
Claims handling costs (note 15)	103	117
	1,442	1,231

14. Operating expenses

Operating expenses can be detailed as follows:

	2017	2016
	USD 000's	USD 000's
Brokerage	1,891	864
Management fee (note 15)	310	350
Directors fees	39	37
Travelling and meeting expenses	133	108
Directors and officers insurance	5	29
Legal and professional fees	29	39
Audit fees	59	50
Advertising, printing and stationery	14	11
Taxation	68	72
Other costs	40	37
	2,588	1,597

Luxembourg taxation arises on non-allowable 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.

The Shipowners' Mutual Strike Insurance Association Europe

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2017

15. Management fee

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 financial statements as follows:

	2017 USD 000's	2016 USD 000's
Acquisition costs	116	131
Financial and general	194	219
Management fee in operating expenses (note 14)	310	350
Claims handling costs (note 13)	103	117
	413	467

16. Commitments

At 31 January 2017 and at 31 January 2016 Strike Insurance Europe 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 SHIPOWNERS' MUTUAL STRIKE INSURANCE ASSOCIATION EUROPE
STATEMENT OF FINANCIAL POSITION BY CLASS
As at 31 January 2017

	Class I&II USD 000's	Class III USD 000's	War & LOH USD 000's	2017 USD 000's	2016 USD 000's
Assets					
Financial assets	428	568	-	996	998
Debtors and other receivables	1,749	2,118	4,416	8,283	6,620
Recoverable from reinsurers and others	389	1,222	952	2,563	788
Balances from receivables from associated company	3,320	(1,608)	3,007	4,719	-
Deferred reinsurance	-	-	708	708	52
Deferred discounts	-	-	714	714	446
Cash and cash equivalents	(700)	3,855	2,252	5,407	2,726
	5,186	6,155	12,049	23,390	11,630
Fund and liabilities					
Contingency reserves	2,896	4,577	1,879	9,352	3,031
Subordinated loan from associated company	534	466	-	1,000	1,000
Balances payable to associated company	-	-	-	-	1,194
Unearned premium reserve	-	-	4,656	4,656	2,888
Creditors and other payables	1,756	1,112	5,514	8,382	3,517
	5,186	6,155	12,049	23,390	11,630

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

THE SHIPOWNERS' MUTUAL STRIKE INSURANCE ASSOCIATION EUROPE
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	War & LOH 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	963	2,226	(156)	3,033	1,341
Contingency reserves at the beginning of the year	962	2,225	(156)	3,031	1,295
Items that may be reclassified subsequently to comprehensive income	(1)	(1)	-	(2)	44
Increase from ordinary activities	1,935	2,353	2,035	6,323	1,692
	1,934	2,352	2,035	6,321	1,736
Revaluation reserve at the end of the year	(2)	(2)	-	(4)	(2)
Other contingency reserves at the end of the year	2,898	4,579	1,879	9,356	3,033
Contingency reserves at the end of the year	2,896	4,577	1,879	9,352	3,031

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

THE SHIPOWNERS' MUTUAL STRIKE INSURANCE ASSOCIATION EUROPE
STATEMENT OF COMPREHENSIVE INCOME BY CLASS
For the year ended 31 January 2017

	Class I&II USD 000's	Class III USD 000's	War & LOH USD 000's	2017 USD 000's	2016 USD 000's
Insurance result					
Delay calls net of returns	3,160	5,657	-	8,817	6,148
Loss of hire, war and other premiums	-	-	6,119	6,119	744
Gross earned premiums	3,160	5,657	6,119	14,936	6,892
Market reinsurance premiums	(109)	(344)	(389)	(842)	(292)
Reinsurance premium to associated company	(219)	(1,512)	(1,943)	(3,674)	(2,048)
Outward reinsurance premiums	(328)	(1,856)	(2,332)	(4,516)	(2,340)
Net earned premiums	2,832	3,801	3,787	10,420	4,552
Claims incurred net of reinsurance	(387)	(351)	(704)	(1,442)	(1,231)
Insurance result	2,445	3,450	3,083	8,978	3,321
Operating expenses					
Operating expenses	(488)	(1,039)	(1,061)	(2,588)	(1,597)
Net insurance result after operating expenses	1,957	2,411	2,022	6,390	1,724
Financial income					
Net investment income/(loss)	3	8	-	11	(37)
(Loss)/gain on exchange	(25)	(66)	13	(78)	5
Net financial loss	(22)	(58)	13	(67)	(32)
Increase from ordinary activities	1,935	2,353	2,035	6,323	1,692
Other comprehensive income					
Revaluation reserve	(1)	(1)	-	(2)	44
Other comprehensive income	(1)	(1)	-	(2)	44
Total comprehensive income	1,934	2,352	2,035	6,321	1,736

This page does not form part of the audited financial statements