

THE WEST OF ENGLAND SHIP OWNERS  
MUTUAL INSURANCE ASSOCIATION  
(LONDON) LIMITED

REPORT & ACCOUNTS  
20 FEBRUARY 2008



REGISTERED NUMBER. 22211

THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)

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**NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members will be held in the Hotel Le Royal, 12 Boulevard Royal, 2449 Luxembourg, on Wednesday 24 September 2008 at 12 00 hours, for the following purposes

- 1 To approve the Report of the Directors and the Financial Statements for the year ended 20 February 2008
- 2 To elect Directors
- 3 To re-appoint PricewaterhouseCoopers LLP as Auditors of the Association and to fix their remuneration
- 4 To transact any other ordinary business of the Association

**By order of the Board**

  
Secretary

Date 21 April 2008

NOTE A Member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, to vote instead of him A proxy need not be a Member of the Association The instrument appointing a proxy shall be left with the Secretary not later than 48 hours before the holding of the Meeting

THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
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**Directors**

E Kromann (Chairman)  
A R C B Cooke  
L Criel  
P R L Lorenz-Meyer  
M T Los

**Registered Office**

Tower Bridge Court  
224 - 226 Tower Bridge Road  
London SE1 2UP

Telephone 020 7716 6000

**Registered Number : 22211**

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**REPORT OF THE DIRECTORS**

The Directors present their report together with the audited financial statements for the year ended 20 February 2008

**Principal Activity**

The principal activity of the Association during the year was the continued run off of the risks of Class 2, Freight Demurrage and Defence

Pursuant to the reinsurance agreement with The West of England Ship Owners Mutual Insurance Association (Luxembourg), this Association ceased to insure Class 2 risks after 20 February 1986 and from that date held all the assets of Class 2 as trustee for The West of England Ship Owners Mutual Insurance Association (Luxembourg) The business of Class 2 relating to risks insured prior to 20 February 1986 continued to be reinsured by The West of England Reinsurance (Hamilton) Limited on a quota-share basis with the residual result being fully reinsured by The West of England Ship Owners Mutual Insurance Association (Luxembourg) From 20 February 1992, the reinsurance of Class 2 by The West of England Reinsurance (Hamilton) Limited ceased

Also pursuant to the reinsurance agreement with The West of England Ship Owners Mutual Insurance Association (Luxembourg), this Association ceased to insure Class 3 and Class 4 risks, Ships Officers and Crew Strikes and Port Area Strikes respectively, after 20 February 1987 The reinsurance of these Classes by The West of England Reinsurance (Hamilton) Limited ceased on 20 February 1992 The risks of Classes 3 and 4 are considered to be fully run off

The business of Class 1, Protection and Indemnity, ceased from 20 February 1970 Special reinsurance arrangements for the relevant policy years up to and including 1969/70 have been made with The West of England Ship Owners Mutual Insurance Association (Luxembourg), whereby that Association agrees to reinsure, indemnify and hold harmless this Association In addition, this Association may require that the Luxembourg Association shall pay or discharge directly or put this Association in sufficient funds to pay any claim As a result, all payments are being made directly by the Luxembourg Association

**Financial Statements**

The Income & Expenditure Account which is set out on pages 8 and 9 shows transactions resulting in a net amount receivable from The West of England Ship Owners Mutual Insurance Association (Luxembourg) by way of a reinsurance claim for Class 2 of \$26,176 (2007 \$67,059) In addition, the net change in the provision for claims resulted in an decrease in the amount forecast to be recovered from the West of England Ship Owners Mutual Insurance Association (Luxembourg) of \$55,550 (2007 \$123,100)

These financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985 and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005 (as amended December 2006)

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**REPORT OF THE DIRECTORS (continued)**

**Business review**

A Consolidated Policy Year Statement for Class 2 has been drawn up on the same basis as in previous years and is set out on pages 18 and 19. This incorporates the assets which were held by Class 2 of The West of England Reinsurance (Hamilton) Limited at 20 February 1992 and were transferred at that date to International Shipowners Reinsurance Company SA, a wholly owned subsidiary of The West of England Ship Owners Mutual Insurance Association (Luxembourg), and the income and expenditure since attributable to those assets.

The ultimate liability for outstanding and unnotified claims has been evaluated and the relevant figures have been incorporated in the Consolidated Policy Year Statement referred to above. A number of assumptions have been made in arriving at the ultimate claims liabilities and the underlying claims estimates on which they are based, and, to the extent that time may alter the validity of those assumptions, the projected figures may vary significantly. The Board and Managers closely monitor the outstanding cases of which only 3 files now remain open (2007 7). The projected ultimate cumulative deficit of Class 2 is \$2.65 million (2007 \$2.68 million).

Under the terms of the reinsurance agreement, all claims are subject to the approval of The West of England Ship Owners Mutual Insurance Association (Luxembourg).

**Future developments**

The Directors do not anticipate any change to the principal activity of the Association and will continue to run-off the remaining risks of Class 2, Freight Demurrage and Defence.

**Financial risk management objectives**

Schedule 7 of the Companies Act requires disclosure, where material, of the financial risk management objectives and policy of the Association and of its exposure to price, credit, liquidity and cash flow risks. The Association is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from policies as they fall due, however, the Association manages its policyholder liabilities in full by reinsurance and, because of this the impact of such financial risk is low. The Association is also exposed to currency risk in respect of liabilities denominated in currencies other than the US Dollar. Because of the reinsurance arrangements the net risk is also low.

**Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The key area where the Association is exposed to credit risk is the reinsurance with The West of England Ship Owners Mutual.

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**REPORT OF THE DIRECTORS (continued)**

Insurance Association (Luxembourg) Because of the strong financial position of the reinsurer, this risk is regarded as low

**Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Association maintains sufficient cash balances and liquidity to manage anticipated liabilities and unexpected demand.

**Key performance indicators**

It is a requirement under s234 of the Companies Act for the Directors to disclose, to the extent necessary, the key performance indicators relevant for an understanding of the position and performance of the business. In view of the few remaining open claims within the outstanding claims projections, as referred to in the Business Review above, the Directors do not consider that there are any significant or appropriate key performance indicators to be disclosed.

**Directors**

The Directors who are listed on page 1 held office throughout the year.

All of the Directors will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

**Managers**

Until 14 January 2005, the Association was managed by The West of England Ship Owners Insurance Services Limited, a management company wholly owned by The West of England Ship Owners Mutual Insurance Association (Luxembourg). From that date the Association has managed its own activities.

**Statement of disclosure of information to auditors**

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Association's auditors are unaware and that each Director has taken steps that ought to have been taken as Director to make himself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

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**REPORT OF THE DIRECTORS (continued)**

**Statement of Directors' responsibilities**

Company Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently with the exception of changes arising from the adoption of new accounting standards in the year,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable financial reporting and accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

**Auditors**

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Association will be proposed at the Annual General Meeting.

**Proposed winding-up**

At a meeting of the Board of Directors on 6 February 2001, it was unanimously resolved that, subject to the receipt of legal advice, the Association should proceed to be wound-up. Certain legal advice was received, which raised a number of consequential issues on which further advice was required. The Board agreed that no further steps be taken to wind up the Association. The position remains fundamentally unchanged from last year.

**By order of the Board**



Secretary

Date ..... 21 April 2008

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**Independent auditors' report to the Members of  
The West of England Mutual Insurance Association (London) Limited**

We have audited the financial statements of The West of England Mutual Insurance Association (London) Limited for the year ended 20 February 2008 which comprise the Income & Expenditure Account, the Balance Sheet, and the Cash Flow Statement, and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

**Respective responsibilities of Directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Association's Members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



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**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Association's affairs as at 20 February 2008 and of its result and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants & Registered Auditors  
London

Date ..... *21 April 2008*

THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
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**INCOME & EXPENDITURE ACCOUNT**  
for the year ended 20 February 2008

<b>TECHNICAL ACCOUNT – General Business</b>	Note	<b>2008 Class 2 \$</b>	<b>2007 Class 2 \$</b>
Allocated investment return transferred from the non-technical account		150	1,325
<b>Total technical income</b>		<u>150</u>	<u>1,325</u>
Gross claims paid		-	(42,484)
Reinsurers' share		-	42,484
Net claims paid		<u>-</u>	<u>-</u>
Gross change in the provision for claims	5	55,550	26,900
Reinsurers' share		(55,550)	(26,900)
Net change in the provision for claims		<u>-</u>	<u>-</u>
Claims incurred net of reinsurance		<u>-</u>	<u>-</u>
Reinsurers' share of other expenditure		26,176	174,575
Movement in provision for doubtful debt		-	(150,000)
Net operating expenses	2	(26,323)	(25,893)
<b>Total technical charges</b>		<u>(147)</u>	<u>(1,318)</u>
<b>Balance on the general business technical account</b>		<u>3</u>	<u>7</u>

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**INCOME & EXPENDITURE ACCOUNT**  
for the year ended 20 February 2008

<b>NON-TECHNICAL ACCOUNT</b>	Note	<b>2008 Class 2 \$</b>	<b>2007 Class 2 \$</b>
Balance on the general business technical account		3	7
Investment income		152	358
Other income	3	-	967
Other charges	3	(2)	-
Allocated investment return transferred to the general business technical account		(150)	(1,325)
<b>Surplus on ordinary activities before tax</b>		<u>3</u>	<u>7</u>
Tax on surplus on ordinary activities	4	(3)	(7)
<b>Balance on ordinary activities after tax</b>		<u>-</u>	<u>-</u>

There are no Income & Expenditure Account movements for Classes 3 and 4. There are no recognised gains or losses for the year other than those shown in the above Income & Expenditure Account and accordingly a Statement of Recognised Gains and Losses is not presented. All of the results are in respect of discontinued operations.

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**BALANCE SHEET**  
**at 20 February 2008**

<b>ASSETS</b>	Note	<b>2008</b> \$	<b>2007</b> \$
<b>Technical provisions</b>			
Reinsurers' share of claims outstanding	5	55,000	110,550
<b>Other assets</b>			
Cash at bank and in hand		26,549	27,383
<b>Prepayments and accrued income</b>			
Accrued interest		-	86
<b>TOTAL ASSETS</b>		<u>81,549</u>	<u>138,019</u>

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**BALANCE SHEET**  
at 20 February 2008

<b>LIABILITIES</b>	Note	2008 \$	2007 \$
<b>Capital and reserves</b>			
Income & Expenditure Account		-	-
<b>Technical provisions</b>			
Claims outstanding	5	55,000	110,550
<b>Creditors</b>			
Arising out of reinsurance operations	6	2,261	4,242
Other creditors including taxation and social security		<u>24,288</u>	<u>23,227</u>
		<u>26,549</u>	<u>27,469</u>
<b>TOTAL LIABILITIES</b>		<u>81,549</u>	<u>138,019</u>

  
Director

  
Director

Date ..... 21 April 2008

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**CASH FLOW STATEMENT**  
**for the year ended 20 February 2008**

	2008 \$	2007 \$
Surplus on ordinary activities before tax	3	7
Less investment income	<u>(152)</u>	<u>(358)</u>
Operating Loss	(149)	(351)
Decrease in debtors	-	150,000
Decrease in creditors	(916)	(150,350)
Decrease in technical provisions	(55,550)	(26,900)
Decrease in reinsurers' share of technical provisions	<u>55,550</u>	<u>26,900</u>
<b>Net cash outflow from operating activities</b>	<b>(1,065)</b>	<b>(701)</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	238	310
<b>Taxation</b>		
Corporation tax paid	(7)	(4)
<b>Net cash outflow</b>	<u><b>(834)</b></u>	<u><b>(395)</b></u>

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**NOTES (forming part of the financial statements)**

**1. Accounting policies**

**General**

The financial statements have been prepared in accordance with applicable UK Accounting Standards. As stated in the Report of the Directors, the financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985 and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 2005 (as amended December 2006). The Regulations use "Profit and Loss Account" as a heading, which is replaced by "Income & Expenditure Account" throughout these financial statements consistent with the mutual status of the Association.

All figures are reported in US Dollars (\$)

**Reinsurance and pooling arrangements**

**Class 2**

Reinsurance cover for Class 2, on an excess of loss basis, has been effected with The West of England Ship Owners Mutual Insurance Association (Luxembourg) since 20 February 1982 and for new building risks since 20 February 1985.

In exchange for The West of England Ship Owners Mutual Insurance Association (Luxembourg) agreeing on 18th October 1985 to reinsure the totality of the risks insured by Class 2 up to 20 February 1986, this Association agreed from that date to hold all the assets pertaining to Class 2 as trustee for The West of England Ship Owners Mutual Insurance Association (Luxembourg) and to transfer them to that Association on demand. This right of transfer was exercised immediately upon the close of business on 20 February 1986 in respect of the Association's shareholding in the West of England Reinsurance (Hamilton) Limited. The business of Class 2 ceased on 20 February 1986 save for the purpose of winding up such business.

**Class 3 and Class 4**

The business of Class 3 and Class 4 ceased on 20 February 1987 save for the purpose of winding up such business, which has been reinsured with The West of England Ship Owners Mutual Insurance Association (Luxembourg). This business is regarded as fully run off.

**Class 1**

The business of Class 1, Protection and Indemnity, ceased from 20 February 1970. Special reinsurance arrangements for the relevant policy years up to and including 1969/70 have been made with The West of England Ship Owners Mutual Insurance Association (Luxembourg), whereby that Association agrees to reinsure, indemnify and hold harmless this Association. In addition, this Association may require that the Luxembourg Association shall pay or discharge directly or put this Association in sufficient funds to pay any claim. As a result, all payments are being made directly by the Luxembourg Association.

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**NOTES (forming part of the financial statements) – continued**

**Accounting policies - continued**

**Basis of insurance**

Calls are levied on a policy year basis. Members remain liable for their rateable proportion of any excess of claims and expenses over income in respect of the particular Class in which they were entered, which obligation continues despite the reinsurance arrangements with The West of England Ship Owners Mutual Insurance Association (Luxembourg). Claims are included in policy years by reference to the date of the incident and reinsurance recoveries are allocated accordingly.

**Investment income**

Bank and other interest is credited to the Income & Expenditure Account as earned. For Class 2, investment income may be allocated to policy years at the discretion of the Directors.

**Transfer of investment return**

A transfer of investment return, including foreign exchange gains and losses, expenses and charges, before tax, is made from the non-technical account to the technical account to reflect the return made on those assets directly attributable to the insurance business.

**Debtors**

Full provision is made for all amounts owing which are more than one year in arrears and in respect of other balances considered to be doubtful.

**Claims paid**

Claims are charged to the Income & Expenditure Account when they have been passed by the Directors. Credit is taken for reinsurance recoveries due in respect of claims accounted for at the Balance Sheet date.

**Deferred tax**

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the Income & Expenditure Account. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the Income & Expenditure Account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the Statement of Recognised Gains and Losses. Deferred tax balances are not discounted.



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NOTES (forming part of the financial statements) – continued

Accounting policies - continued

Claims outstanding

Statistical projections are calculated for claims outstanding at the Balance Sheet date based upon paid claims and estimates of notified outstanding claims. Significant delays may occur before claims are settled and, accordingly, a substantial measure of experience and judgement is required in assessing the ultimate cost of outstanding and unnotified claims, which cannot be known with certainty at the Balance Sheet date. The figures include provision for claims handling costs.

Operating expenses

Management and other expenses are dealt with on an accruals basis. Claims handling expenses are allocated to claims paid.

Foreign currencies

Transactions in currencies other than US Dollars are recorded using the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in currencies other than US Dollars are translated using the rate of exchange ruling at the Balance Sheet date. Exchange differences on translation are included in the Income & Expenditure Account.

<b>2. Net operating expenses</b>	<b>2008</b>	<b>2007</b>
	\$	\$
Auditors' remuneration		
Audit services		
Audit Fee	13,588	13,637
Non-audit services		
Audit of the regulatory return	10,693	10,731
	<u>24,281</u>	<u>24,368</u>
Other operating expenses	2,042	1,525
	<u>26,323</u>	<u>25,893</u>

There were five Directors employed by the Association during the year. No fees were paid to the Directors for the year ended 20 February 2008 (2007 \$ nil). No other staff were employed.

**3. Other income and Other charges**

These relate to unrealised exchange gains or losses on the revaluation of the sterling bank account.

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NOTES (forming part of the financial statements) – continued

4. Taxation

The charges in the Income & Expenditure Account represent UK Corporation Tax on taxable interest and investment income at a rate of 20% (2007 19%) The operations of this Association and of The West of England Ship Owners Mutual Insurance Association (Luxembourg) and its subsidiaries are taxed jointly by HM Revenue and Customs The charges shown are calculated as if this Association were taxed on a stand-alone basis Liabilities shown are owed, as reimbursement, to The West of England Ship Owners Mutual Insurance Association (Luxembourg) and tax paid by that Association is reimbursed to it

	2008 \$	2007 \$
Corporation Tax charged	<u>3</u>	<u>7</u>

The tax charge differs from the standard rate of Corporation Tax in the UK (30%) for the reasons shown below, which primarily arise from the Association's mutual status whereby its mutual activities are not subject to tax

	2008 \$	2007 \$
Surplus on ordinary activities before tax	<u>3</u>	<u>7</u>
Surplus on ordinary activities at standard rate of Corporation Tax in the UK	1	2
Other adjustments to reflect tax arrangements described above	2	5
Current tax charge for period	<u>3</u>	<u>7</u>

Included within Other creditors including tax and social security on the balance sheet is a creditor for UK Corporation Tax of \$3 (2007 \$7)

5. Claims outstanding

Claims outstanding represents the forecast cost of outstanding and unnotified claims for all policy years and includes appropriate provision for future claims handling costs In arriving at these figures, a number of important assumptions has been made and to the extent that time may alter the validity of those assumptions, the figures may vary significantly

6. Ownership of net assets

The assets of this Association are held in trust for The West of England Ship Owners Mutual Insurance Association (Luxembourg), the net balance due to that Association is included in Creditors arising out of reinsurance operations

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**NOTES (forming part of the financial statements) – continued**

**7. Guarantee**

Under the Memorandum of Association, the Association is limited by guarantee not exceeding £5 per Member for every 100 tons or part of 100 tons entered

**8. Class 1, Protection and Indemnity**

The business of Class 1, Protection and Indemnity, ceased from 20 February 1970. Special reinsurance arrangements for the relevant policy years up to and including 1969/70 have been made with The West of England Ship Owners Mutual Insurance Association (Luxembourg), whereby that Association agrees to reinsure, indemnify and hold harmless this Association. In addition, this Association may require that the Luxembourg Association shall pay or discharge directly or put this Association in sufficient funds to pay any claim. As a result, all payments are being made directly by the Luxembourg Association. The amounts involved are excluded from the Income & Expenditure Account. Gross claims paid in the year amount to \$1,087,699 (2007 \$1,060,927) less reinsurance recoveries of \$56,288 (2007 \$855) leading to a net reinsurance recovery from the Luxembourg Association of \$1,031,411 (2007 \$1,060,072).

**9. Related parties**

All risks insured by this Association up to the date when it ceased underwriting are reinsured with The West of England Ship Owners Mutual Insurance Association (Luxembourg). Notwithstanding, Members of this Association retain obligations and rights and some of the Members of this Association are also Members of The West of England Ship Owners Mutual Insurance Association (Luxembourg).

Until 14 January 2005, the Association was managed by The West of England Ship Owners Insurance Services Limited, a management company wholly owned by The West of England Ship Owners Mutual Insurance Association (Luxembourg). There were no outstanding balances with related parties at either 20 February 2008 or 20 February 2007.

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**APPENDIX I – Class 2 Consolidated Policy Year Statement at 20 February 2008  
for all years up to and including 1985/86 (unaudited)**

	80/81 & Prior	81/82	82/83	83/84	84/85	85/86	Policy Year Reserve Account	Allocation Account (Note 3)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Calls		5,873	6,101	5,536	4,778	4,282	12,642		
Reinsurance premiums		(375)	(418)	(424)	(452)	(348)			
<b>Net premiums</b>		<b>5,498</b>	<b>5,683</b>	<b>5,112</b>	<b>4,326</b>	<b>3,934</b>			
Investment income after taxation and exchange differences		490	395	318	(101)	-		1,527	
		<b>5,988</b>	<b>6,078</b>	<b>5,430</b>	<b>4,225</b>	<b>3,934</b>			
Management expenses (including Audit fee and Directors' fees)		(557)	(690)	(804)	(644)	(990)	(2,488)		
<b>Net income</b>		<b>5,431</b>	<b>5,388</b>	<b>4,626</b>	<b>3,581</b>	<b>2,944</b>	<b>10,154</b>	<b>1,527</b>	
<b>Net claims paid</b>		<b>5,744</b>	<b>4,880</b>	<b>3,657</b>	<b>4,058</b>	<b>2,040</b>			
Balance before outstanding and unnotified claims	(15,865)	(313)	508	969	(477)	904	10,154	1,527	(2,593)
Projected outstanding and unnotified Claims (Note 4)	(44)	-	-	(8)	(3)	-			(55)
<b>Projected balance</b>	<b>(15,909)</b>	<b>(313)</b>	<b>508</b>	<b>961</b>	<b>(480)</b>	<b>904</b>	<b>10,154</b>	<b>1,527</b>	<b>(2,648)</b>

**Notes to the Class 2 Consolidated Policy Year Statement**

- 1 This appendix combines the results of Class 2 of The West of England Ship Owners Mutual Insurance Association (London) Limited with Class 2 of The West of England Reinsurance (Hamilton) Limited which was, until 20 February 1986, wholly owned by the Association and which undertook reinsurance of the Association until 20 February 1992. The projected balance shown represents the total amount projected to be recoverable for Class 2 under the reinsurance arrangements with the West of England Shipowners Mutual Insurance Association (Luxembourg), described more fully in the Financial Statements of this Association.

THE WEST OF ENGLAND SHIP OWNERS MUTUAL  
INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee)

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**Notes to the Class 2 Consolidated Policy Year Statement - continued**

- 2 Until 20 February 1984, all accounting records were maintained in sterling and in so far as the figures at that date are included above, they have been translated into US Dollars at the rate ruling on 20 February 1984
- 3 The Allocation Account represents investment income earned and exchange differences for the twenty-three years ended 20 February 2008
- 4 The figures for projected outstanding and unnotified claims represent the projected ultimate liabilities remaining for the policy years shown. In arriving at these figures, a number of important assumptions have been made and to the extent that time may alter the validity of those assumptions, the projected figures may vary significantly
- 5 For the purpose of this Statement, claims paid exclude claims handling expenses allocated to claims. These are included in Management expenses. Appropriate provision is made in outstanding and unnotified claims for future claims handling costs