

**THE UNITED KINGDOM MUTUAL WAR RISKS
ASSOCIATION LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 20 FEBRUARY 2010**



Registered Number 127262

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

CONTENTS

	Page
1. Chairman's Statement *	1 - 2
2. Review of the year ended 20 February 2010 *	3 - 6
3. Notice of Meeting	7
4. Directors *	8
5. Directors' Report *	9 - 15
6. Independent Auditors' Report	16 - 17
7. Income and Expenditure Account	18
8. Balance Sheet	19
9. Cash flow Statement	20
10. Notes to the Financial Statements	21 - 33
11. Managers and Officers	34

* These sections make up the Directors' report

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

CHAIRMAN'S STATEMENT

This will be my last Chairman's Statement, as I will be retiring from the Board with effect from 14 April 2010. The Review of 2009 (on pages 3 to 6) and the Directors' Report (on pages 9 to 15) highlight the significant developments of the last year, but I feel it is appropriate in this statement to focus on broader issues that have been constants throughout my time as Chairman

Over a period of considerable change in both the insurance and shipping industries, our Association has remained a strong mutual. It is important not to overlook the benefits offered by an organisation run by and for its Members. In the case of our Association, they include a greater focus on Owners' needs, provision of insurance at competitive rates and greater stability of cost over time. During 2009, all Members benefited from very competitive rates for transits of the Gulf of Aden and Indian Ocean. Members renewing for 2010 also benefited from a 10% return of Advance Contribution.

As a mutual, our Association has always been committed to providing Members with first class service. It remains important to issue documents quickly and (for example) to have additional premium (AP) quotes readily available. If claims occur – there was only one minor incident notified during the year – our service includes assistance with managing the incident and guidance on presenting the Member's claim. Even though we maintain this high standard of service, we recognise there is always potential to develop and improve, which is why we have continued (and will continue) to seek comments and views from Members.

Financial stability has become even more important over recent years, especially in an increasingly regulated insurance environment. Our Association's sound financial base has not only satisfied the regulatory requirements of the Financial Services Authority; it has also helped to provide Members with stability of cost in what can be a volatile insurance market. It is, therefore, pleasing to report that, after a small overall deficit the previous year, the 2009 Policy Year delivered a positive operating result and significantly more investment income than in 2008. Consequently, reserves at the year end had risen to £17.2 million.

Our Association has remained a specialist war risks insurer, one of only a handful in the marine market. Focusing exclusively on war risks has allowed us to develop a significant breadth and depth of knowledge and expertise. Somali piracy is an issue of great concern to ship owners at present and seems likely to remain so. Fortunately, no entered ships were attacked or seized during the year, but the Association did give Members advice on preventative and deterrent measures, as well as guidance on how to respond in the event of a ship being seized.

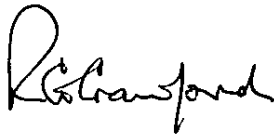
THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

CHAIRMAN'S STATEMENT (continued)

The Association's commitment to mutuality and to service, together with our financial stability and specialist focus sets us apart from the market. The combination has reinforced our position as UK shipping's biggest war risks insurer and, since 20 February 2009, the Association is open to applications from fleets from outside the UK. Membership grew during the year and at the year end stood at 890 ships, with a total entered value of £23.1 billion.

Unfortunately at the renewals for 2010 Carnival, as the largest member, withdrew its vessels placing them with the rest of its fleet in the commercial market. Further reference to this is made on page 6 of the accounts.

I would like to conclude this statement by expressing the pleasure and satisfaction I have experienced during my 28 years as Chairman, my thanks to Directors past and present, as well as to the small, active and efficient management team, with whom a growth in the Association from 70 ships, a total entered value of £2.07 billion and reserves of £5.4 million in 1982 was achieved to the figures mentioned above.



R.G. Crawford
Chairman

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

REVIEW OF 2009

MARKET REVIEW

Terrorism remained a dominant global issue throughout 2009. The most graphic reminder of the terrorist threat was, perhaps, Al Qaeda's failed attempt on Christmas Day to blow up an airliner bound for Detroit. There were numerous attacks in Afghanistan and Pakistan, as well as bomb attacks on luxury hotels in Jakarta in July. Against this background, the beginning of UK Forces' withdrawal from Iraq in March 2009 seemed no more than a small positive step.

In contrast, piracy off the Coast of Somalia continued to dominate the marine war risks market. Pirates demonstrated their ability to operate at great distances from the Somali Coast, with some attacks taking place more than 1,000 nautical miles into the Indian Ocean. The number of pirate attacks increased. During 2009 there were 228 attacks, almost double the number in 2008. More naval forces were deployed to the region and, fortunately, the percentage of attacks leading to ships being taken by pirates reduced. Nevertheless, the number of ships seized in 2009 (52) was more than the number seized the previous year. By the beginning of 2010, the Additional Premium Area in the Indian Ocean had been extended, stretching as far as 65 degrees east and, at the equator, some 1,300 nautical miles from Somalia.

No entered ships were attacked in the Gulf of Aden or Indian Ocean, but the increase in the area and number of attacks during the year emphasised the importance of all ship owners taking appropriate steps to minimise the risk of their ship being taken. The Association has endorsed the Best Management Practices to Deter Piracy, a copy of which is readily available from the Association's website. All Members with ships transiting the Gulf of Aden or the Indian Ocean are strongly encouraged to follow the recommendations in this document.

There was evidence of piracy and other problems extending from Somalia. In July, a ship was seized off the coast of Oman. Throughout the year, the political situation in the Yemen deteriorated, contributing to a sense of instability in the region.

The Middle East remained a cause for concern throughout the year. The fact that the Middle East might have attracted less world wide media attention during the year did not reflect major improvements or progress. In January, there was heavy fighting in Gaza between Israeli troops and Palestinian militants. In February, the Israeli Navy intercepted a ship carrying aid to Gaza. The ceasefire agreed in January 2009 appeared to be holding, but tensions remain. AP Rates continue to reflect the volatility of the area.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

REVIEW OF 2009 (continued)

MARKET REVIEW (continued)

Although Iran was not an AP Area during 2009, developments there indicated increasing tensions. There was internal political tension, with demonstrations in July after disputed presidential elections. Considerable concern was expressed internationally at Iran's nuclear development plans. In September, information indicated that Iran had been building a secret uranium enrichment plant. Developments in Iran will have to be monitored closely during 2010.

In Sri Lanka, there was intense fighting in the first quarter of 2009 between government forces and the Tamil Tigers. In May, the Sri Lankan army finally overcame Tamil Tiger resistance. Nevertheless, the situation remained unstable and, following presidential elections in January 2010, army officers were arrested on suspicion of plotting to overthrow the government.

There were further incidents in West Africa. The Movement for the Emancipation of the Niger Delta remained active, claiming responsibility for armed attacks. In November 2009, pirates killed a seafarer on board an oil tanker off the coast of Benin.

For the first time in many years, an AP Area was introduced in the Western Hemisphere. In May, the Venezuelan Government issued a decree "reserving" certain assets preserving certain assets, including ships and barges, to the Venezuelan state. Assets belonging to a number of international oil services companies were seized. Venezuela as a result became an AP Area with effect from 3 July 2009.

The Association continued providing cover for areas where ships were more exposed to War Risks and continued charging AP for doing so. The Association continued its policy of using economies of scale to buy reinsurance protection competitively, passing benefits to the members in the form of competitive AP Rates, particularly the Gulf of Aden and the Indian Ocean.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

REVIEW OF 2009 (continued)

FINANCES

The table below compares key financial information from the 2009 Policy Year, together with the corresponding figures from 2008.

All figures in £000s	2009	2008
Gross premium written	6,477	4,338
Outward reinsurance premium	(4,757)	(3,959)
Other technical income	134	129
Acquisition and administration costs	(873)	(441)
Operating surplus	981	67
Net investment income/(expense) after tax	1,517	(373)
Surplus/(deficit) for the year (after tax)	2,498	(306)
Reserves at the year end	17,185	14,687

After allowing for a 10% return of call, income from Advance Contributions during the year amounted to £4.4 million (67.8% of total premium written). Income from Additional Premiums amounted to £2.1 million (32.2%).

From 20 February 2009, the Association paid brokerage of 7.5% on Advance Contributions, less any discounts for hull interest or restricted trading. Where ships were entered directly, commission calculated on the same basis was payable to the member. As a result, acquisition costs in the 2009 Policy Year are considerably higher than those for the previous year.

Investment income for the 2008 Policy Year had been affected by the global credit and financial crisis. During the 2009 Policy Year, the Association maintained its conservative investment approach. The level of fixed interest and equity investment was maintained. The Association continued to hold corporate bonds, all of which were government backed. Although yields fell as the Bank of England bought bonds to inject liquidity into the UK economy, equity markets performed strongly and continued to recover from the low reached in March 2009. As a result, net investment income for the year amounted to £1.5 million (compared to a deficit of £373,000 in 2008).

Sound financial foundations and the level of reserves enabled the Directors to agree a return of call. The Directors decided there should be a 10% return of call for all Members renewing from 20 February 2010. Reserves at the end of the year remained comfortably above the statutory solvency margin.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

REVIEW OF 2009 (continued)

MEMBERSHIP

As the table below illustrates, both the total value and the number of ships entered in the Association grew during the year.

Policy Year	2009	2008	2007
Number of ships	890	877	850
Total entered value (£ billions)	23.1	22.7	15.7

Since 20 February 2009, the Association has made mutual war risks insurance available to ship owners without any connection to the UK, the Association welcomes applications from companies from outside the UK without any previous connection to the Association. A number of new Members have joined the Association as a result. It also continues to provide UK registered ships with cover for risks arising out of war involving the UK ("Queen's Enemy Risks"), which is reinsured by the UK Government.

At the 2010 renewal, the largest single Member decided not to renew, resulting in a significant reduction in premium income. This has been offset by a significant reduction in reinsurance costs, the net effect being that there has been no material effect on the Associations' reserves.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

Limited by Guarantee

NOTICE OF MEETING

The Annual General Meeting of the Members of The United Kingdom Mutual War Risks Association Limited will be held in the offices of the Association, 90 Fenchurch Street, London on 12 October 2010 at 11 00am for the following purposes:-

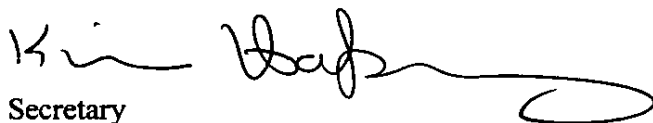
To receive the Report of the Directors and the Financial Statements for the year ended 20 February 2010 and, if they are approved, to adopt them

To elect Directors.

To re-appoint the auditors and authorise the Directors to fix their remuneration.

To consider, and if thought appropriate, adopt amendments to the Association's Rules and Articles of Association.

By Order of the Board

A handwritten signature in black ink, appearing to read 'K. V. Baf', followed by a long horizontal flourish.

Secretary
14 April 2010

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

DIRECTORS

R.G. Crawford C.B.E. (Chairman) retired 14 April 2010

A. Davies

J.G M. Freeman retired 20 February 2010

E.C. Rothwell

T. Stage

C.D. Wannell

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

DIRECTORS' REPORT

The Directors are pleased to present their Report and the Association's Financial Statements for the year ended 20 February 2010.

PRINCIPAL ACTIVITY

During the year the Association's principal activity was the insurance of British owned ships and foreign flagged ships of existing Members against war risks. At noon on 20 February 2010, 890 ships, with a total value of £23.1 billion, were entered in the Association. A year previously, 877 ships with a total value of £22.7 billion were entered.

Entry of ships in the Association is recorded in several currencies, which have been converted into sterling at exchange rates applicable for the year and agreed with the Association's reinsuring underwriters. In the year under review, as in previous years, the Association's reinsurance was not subject to a deductible, but did include the market automatic termination of cover clause.

ADDITIONAL PREMIUM AREAS

As at 20 February 2010, the Additional Premium Areas pursuant to Rule 19 were as follows:

The ports, places, countries, zones and areas listed include all harbours, offshore installations and terminals, unless otherwise stated

Africa

Djibouti
Gulf of Aden Transits (see parameters below)
Indian Ocean Transit (see parameters below)
Ivory Coast
Nigeria including terminals
Somalia
Somalia Transits (see parameters below)

Asia

Southern Gulf Coast of Thailand, between and including Songkhla and Narathiwat
Sri Lanka

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

DIRECTORS' REPORT (continued)

ADDITIONAL PREMIUM AREAS (continued)

Europe

Georgia

Indonesia / Malaysia

Balikpapan (South East Borneo)

North East Coast of Borneo, between and including Kudat and Tarakan

Jakarta

Sumatera (Sumatra), but only the North Eastern coast between 5° 40' N and 0° 48' N

Middle East

Gulf of Aden Transits (see parameters below)

Iraq

Israel

Lebanon

Saudi Arabia

Yemen

Philippines

Mindanao, between and including Polloc Harbour and General Santos

Sulu Archipelago Part Calls including Jolo (see parameters below)

South America

Venezuela

Sulu Archipelago

From Tanjung Bidadari (5°49' 6N, 118°21'·0E) along the east coast of Sabah to Tanjung Bagahak Light (4°56'·5N, 118°38'·3E); thence south-eastwards to Pulau Matakang Light (4°34' 6N, 118°57'·0E); thence southwards to position 3°32'·0N, 118°57'·0E; thence north-eastwards to position 5°50'·0N, 122°31'·0E; thence northwards to position 7°06' 6N, 122°31'·0E; thence westwards to Batorampon Point Light (7°06'·6N, 121°53'·8E); thence west-south-westwards to Tanjung Bidadari.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

DIRECTORS' REPORT (continued)

ADDITIONAL PREMIUM AREAS (continued)

Gulf of Aden Transits

The area enclosed by the Bab-el-Mandeb Strait, latitude 15°N, longitude 57°E and latitude 10°N, subject to the conditions that the Entered Ship does not approach within 50 nautical miles of the north coast of Somalia, or within 100 nautical miles of the Socotra Archipelago, or within 200 nautical miles of the east coast of Somalia.

Somalia Transits

Waters south of latitude 10°N and up to a distance of 250 nautical miles from the coast of Somalia, but excluding waters up to 12 nautical miles from the coast of Kenya and Tanzania, subject to the condition that the Entered Ship does not approach within 200 nautical miles of the east coast of Somalia.

Indian Ocean Transits

The Indian Ocean outside the Gulf of Aden Transits and Somalia Transits areas bounded by latitude 15°N then 65°E and 12°S as far as 49°E and then 11°S but excluding the coastal waters of Kenya, Tanzania and Mozambique up to 12 nautical miles offshore.

RESERVES

The main reasons why the Association holds reserves are to meet its current and anticipated statutory solvency margins; to minimise the risks of matters that are outside the scope of solvency requirements materially affecting the Association's financial results; to minimise the effect of any material change in the Association's financial results on the level of contributions paid by Members; and to generate income sufficient, after tax, to cover the Association's overheads in any one year.

With these factors in mind, the Directors have decided the Association should maintain reserves within a range of between £14 million and £15.5 million. The Directors continue to monitor the Association's reserves and its financial results by reviewing accounts at every meeting. They will review the Association's reserving policy again during 2010 in the context of preparations for Solvency II.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

DIRECTORS' REPORT (continued)

RISK MANAGEMENT

The Association is exposed to financial risk through its assets and liabilities. The most significant risks are market risk, credit risk, insurance risk and reinsurance risk. The Association has policies and procedures in place to manage these risks

Market risk is the risk of changes in the financial markets affecting the value of the Association's investments. It is managed by the Association's investment policy, which is monitored by means of reports from the Investment Managers to the Directors at each Board meeting.

Credit risk is the risk of losses caused by other parties failing, in whole or in part, to meet obligations to the Association. Debtor exposure is mitigated because it is widely spread across the membership. This exposure is monitored by means of reports from the Managers to the Board. It is the Association's policy not to confirm renewal to any Member with amounts overdue and no return of call is made to a Member if there are sums overdue to the Association from that Member.

Insurance risk is the risk associated with claims on the Association. Exposure is primarily mitigated by a strategy of risk transfer through the Association's reinsurance programme. The Association's underwriting policy, which the Board reviews at least once a year, is also used to manage this risk.

Reinsurance risk is the risk of the Association's reinsurers being unable to meet their obligations. This risk is mitigated by placing reinsurance only with 'A' rated underwriters and by ensuring that no single underwriter carries more than a 10% line. The terms of the reinsurance contract give the Association the right to remove any underwriter that loses its 'A' rating. The Board reviews reinsurance annually before renewal.

The Association's risk management policies and procedures will also be reviewed and in the context of Solvency II preparations and amended where necessary

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The Directors of the Association are shown on page 8

Mr J.G.M. Freeman retired at the end of the financial year. The Directors and the Managers wish to thank him for his contribution to the affairs of the Association, as a Director since 1998 and Deputy Chairman since 2000.

Mr R.G. Crawford retired on 14 April 2010, having served as a Director for 30 years and as a Chairman since 1982. The Directors and the Managers wish to thank him and to record their appreciation of the very substantial contribution Mr Crawford has made to the Association since 1980.

At the Annual General Meeting on 12 October 2010, Mr T Stage will retire by rotation in accordance with Article 53 of the Articles of Association and, being eligible, offer himself for reappointment.

The Board of Directors has a Directors' and Officers' liability policy in place. The cost of this insurance is met by the Association and included in administration costs.

DIRECTORS' MEETINGS

During the year, the Directors met formally three times: in April 2009, October 2009 and in January 2010. They also maintained contact with the Managers between meetings, in order to fulfil the general and specific responsibilities entrusted to them by the Members under the Association's Articles and Rules. The items considered and reported at the three meetings included:

Audit and regulatory matters: the auditors' report on the 2009 financial statements; the annual return to the Financial Services Authority for 2009, a regulatory review; a review of the Association's Individual Capital Assessment.

Directors' election of the Chairman and Deputy Chairman; Directors' and Officers' liability insurance.

Finances: the year end financial statements for 2009; reserves policy and financial planning; investments and investment strategy.

Underwriting: the closure of the 2009 Policy Year and return of call for 2009; reinsurance arrangements for the 2010 Policy Year; rates and terms to Members for 2010.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' MEETINGS (continued)

Solvency II: consideration of the requirements of the Solvency II Directive; review of the key challenges likely to arise for the Association; consideration of the quantitative impact studies; review of the implementation plans and proposals.

Other Matters Additional Premium Areas; piracy in the Gulf of Aden and Indian Ocean; piracy deterrents and avoidance measures; Best Management Practices.

AUDITORS

The Association's auditors, Moore Stephens LLP, have indicated their willingness to continue in office and a resolution will be proposed for their reappointment in accordance with Section 489 of the Companies Act 2006 at the Annual General Meeting to be held on 12 October 2010.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

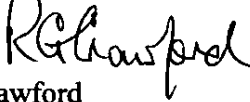
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.


R.G. Crawford
Chairman
14 April 2010

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

We have audited the group and parent company financial statements for the year ended 20th February 2010 which comprise the Income and Expenditure, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 20th February 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Moore Stephens LLP

**Simon Gallagher (Senior Statutory Auditor)
for and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB**

14 April 2010

The maintenance and integrity of The United Kingdom Mutual War Risks Association Limited website is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT
for the year ended 20 February 2010

TECHNICAL ACCOUNT	Note	2010 £'000	2009 £'000
Gross premium written	4	6,477	4,338
Outward reinsurance premium	5	<u>(4,757)</u>	<u>(3,959)</u>
		1,720	379
Other technical income	6	134	129
Claims incurred, net of reinsurance			
- Claims paid			
Gross claims paid	15	(444)	(33)
Reinsurer's share		444	33
- Change in the provision for claims			
Gross outstanding claims	15	218	-
Reinsurers' share	15	<u>(218)</u>	<u>-</u>
		-	-
Acquisition costs	7 & 16	(343)	(8)
Administration costs	8	<u>(530)</u>	<u>(433)</u>
Balance of the technical account		981	67
NON TECHNICAL ACCOUNT			
Balance of the technical account		981	67
Investment and other income	9	388	446
(Losses)/Gains on the realisation of investments		(67)	9
Unrealised gains/(losses) on investments	3	1,560	(828)
Surplus/(Deficit) on ordinary activities before tax	3	<u>2,862</u>	<u>(306)</u>
Tax on ordinary activities	13(a)	(364)	-
Surplus/(Deficit) on ordinary activities after tax		<u>2,498</u>	<u>(306)</u>
Income and Expenditure account brought forward		14,687	14,993
Income and Expenditure account carried forward		<u>17,185</u>	<u>14,687</u>

All activities represent continuing activities. There are no recognised gains or losses other than the surplus for the year. The notes on pages 21 to 33 form an integral part of these Financial Statements

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

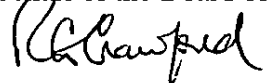
Company No 127262

BALANCE SHEET **As at 20 February 2010**

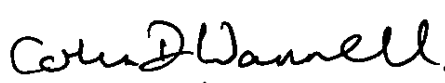
	Note	2010 £'000	2009 £'000
ASSETS			
Other Financial Investments	10 & 14	16,833	15,652
Reinsurers' share of technical provisions			
Claims outstanding	15	32	250
Debtors			
Debtors arising out of direct insurance operations			
- Policy holders		158	170
Debtors arising out of reinsurance operations		199	166
Cash at bank and in hand	14	588	202
Prepayments	11	7	7
Accrued Interest – interest earned but not yet received on fixed interest securities		150	178
		<u>17,967</u>	<u>16,625</u>
LIABILITIES			
Reserves			
Income and Expenditure		17,185	14,687
Technical Provisions			
Claims outstanding	15	32	250
Creditors			
Creditors arising out of direct insurance operations		79	369
Creditors arising out of reinsurance operations		284	1,292
Other creditors including taxation	13(b)	368	4
		<u>731</u>	<u>1,665</u>
Accruals	12	19	23
		<u>17,967</u>	<u>16,625</u>

These Financial Statements were approved by the Board of Directors on 14 April 2010.
Signed on behalf of the Board of Directors:

Director



Director



Thomas Miller War Risks Services Limited as Managers.

The notes on pages 21 to 33 form an integral part of these Financial Statements.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

CASHFLOW STATEMENT

For the year ended 20 February 2010

	Note	2010 £'000	2009 £'000
Net cash flow from operating activities			
Premium received		6,198	4,214
Reinsurance premium		(5,765)	(4,102)
Other operating income received		183	22
Claims paid		(82)	(3)
Other operating cash payments		<u>(876)</u>	<u>(435)</u>
	14	<u>(342)</u>	<u>(304)</u>

CASHFLOW STATEMENT

Net cash outflow from operating activities (342) (304)

Returns on Investment

Interest received 416 462

Taxation

Taxation paid 13(c) - (133)

Increase in cash 74 25

CASHFLOWS WERE INVESTED AS FOLLOWS:

Decrease in cash 14 386 (292)

Net portfolio investment

Disposal of fixed interest securities (221) (3,962)

Purchase of other debt securities 198 4,587

Purchase of units in unit trusts (239) 1,081

Decrease in UCITS - Cash (50) (1,389)

14 (312) 317

Total 74 25

The notes on pages 21 to 33 form an integral part of these Financial Statements.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution

The Association is incorporated in England as a company limited by guarantee and not having a share capital.

In the event of liquidation any net assets of the Association are to be distributed amongst such Members and former Members in such proportions and amounts as the Directors shall decide.

2. Accounting policies

a) Accounting basis

The financial statements are prepared in accordance with the provisions of Section 396 to the Companies Act 2006 and Schedule 3 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008 (SI 2008/410), and in compliance with applicable accounting standards and the ABI SORP Accounting for Insurance Business issued in December 2005 (as amended in December 2006)

b) Policy Year accounting

Contributions and premiums, claims paid, reinsurance recoveries, reinsurance premiums and the management fee are allocated to the Policy Years to which they relate

Investment income and interest, profit/losses on sale of investments, exchange gains/losses and general expenses are allocated to the current Policy Year.

c) Foreign currencies

Foreign currency assets and liabilities have been translated at the closing sterling exchange rate. The resultant difference is included in the non-technical account

Revenue transactions are translated into sterling at the rate applicable for the month in which the transaction took place. Differences between closing exchange rates and the rates applying to outstanding forward currency contracts are also recognised.

All exchange gains and losses, whether realised or unrealised, have been included in other income or expenditure in the non-technical account

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Accounting policies (continued)

d) Contributions and premiums

Contributions and premiums less returns are included in the Income and Expenditure Account when the policies incept, provisions are made for the return of contributions and premiums to Members

Advance Contributions are the amounts payable in each Policy Year by the insured owners calculated on a percentage basis of the total sums insured.

Additional Premiums are those amounts payable as a result of certain areas being specified as Additional Premium Areas in accordance with the Rules of the Association and are charged if the insured ships should enter those Areas. Additional premiums are recognised on a notification basis. Premiums for a period of cover after the Year End are treated as unearned

e) Claims incurred

Where claims are incurred, legal costs and expenses covered by the Association are included. Claims incurred during the year are included whether paid, estimated or unreported.

The estimates for known outstanding claims are based on the best estimates and judgment of the Managers of the likely final cost of individual cases based on current information. The individual estimates are reviewed regularly and include this Association's share of other Association's pool claims. There has been no deterioration of claims in prior years

f) Reinsurance recoveries

The Directors are satisfied that the funds of the Association are adequately protected by reinsurance.

Reinsurance recoveries, including receipts and amounts due under these contracts on claims already paid and claims outstanding are included in the Income and Expenditure Account.

g) Reinsurance premiums

Reinsurance premiums payable by the Association are charged to the Technical Account on an accruals basis and, as noted above, to the Policy Year to which they apply.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Accounting Policies (continued)

h) Income from other investments

Income from other investments comprises interest received and accrued on bonds and bank deposits and distributions from equities.

i) Investments

Balance Sheet

Investments are valued at market value to comply with the Statement of Recommended Practice on Accounting for Insurance Business. It is not the intention of the Board to liquidate the portfolio and bonds will be held to maturity if considered appropriate.

Market value is calculated using the bid market price at the close of business on the date of the Balance Sheet. The cost of these investments is disclosed by way of note.

In the case of non-sterling investments, the market value is translated at the closing rate of exchange at the date of the Balance Sheet. The cost of non-sterling investments is translated into sterling at the date of purchase.

Non Technical Account

For investments purchased during the year, the unrealised gains and losses on the movement in their market value compared to the cost are shown in the Non Technical Account. Where the investments held have been purchased in a previous period, the unrealised gains and losses represent the movement in their market value from the start of the year to the end of the year.

j) Deferred Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the Balance Sheet date, unless such provision is not permitted by Financial Reporting Standard 19.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Note of historical cost surpluses and deficits

	2010 £'000	2009 £'000
Reported surplus on ordinary activities before taxation	2,862	(306)
Change in adjustment of investments from book value to market value	1,560	(828)
Historical cost surplus on ordinary activities before taxation	4,422	(1,134)
Historic cost surplus for the year retained after taxation	4,058	(1,134)

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Contributions and premiums

Contributions and premium have been charged as follows

	2010 £'000	2009 £'000
Advance contributions		
UK flagged vessels advance contributions	4,466	2,765
Foreign flagged vessels of existing Members	-	108
Total advance contributions	<u>4,466</u>	<u>2,873</u>
Return of Call		
UK flagged vessels advance contributions	(77)	(362)
Foreign flagged vessels of existing Members	-	(15)
Total return of call	<u>(77)</u>	<u>(377)</u>
Additional premiums	<u>2,088</u>	<u>1,842</u>
Total additional premiums	<u>2,088</u>	<u>1,842</u>
Total net contributions and premiums	<u>6,477</u>	<u>4,338</u>

At the Directors' meeting held on 12 January 2010, it was decided that a 10% return of call should be made to Members of the Advance Contributions due in respect of the 2009 Policy Year (2008 Policy Year. 10%) upon the closing of that year.

Additional Premiums are charged for cover in designated Additional Premium Areas as required by the reinsurance underwriters.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Reinsurance premiums

	2010 £'000	2009 £'000
Advance contributions for UK flagged vessels	2,878	2,065
Foreign flagged vessels of existing Members	-	80
Total reinsurance for advance contributions	<u>2,878</u>	<u>2,145</u>
Additional premiums	<u>1,879</u>	<u>1,814</u>
Total reinsurance for additional premiums	<u>1,879</u>	<u>1,814</u>
Total reinsurance premium	<u>4,757</u>	<u>3,959</u>

The Association is protected against the incidence of claims by reinsurance contracts and the Association is, for the 2009 Policy Year, fully reinsured without deductible up to £390 million, US\$630 million, CAD780 million or €510 million in respect of Rule 2 Part A Insurance Hull, Machinery etc. and Rule 2 Part B Detention or Diversion Expenses Risks, or (if otherwise applicable) Rule 2, Part D, Queen's Enemy Risks but with the market automatic termination of cover clause. On the same basis, the Group is reinsured up to £325 million, US\$500 million, CAD650 million or €425 million in respect of Rule 2 Part C Protection and Indemnity Risks.

6. Other technical income

	2010 £'000	2009 £'000
Commission income	<u>134</u>	<u>129</u>

Additional Premiums are paid at 70% net of original rates agreed for individual breaches. A return is made to the Association to reduce the proportion payable to 65% net at expiry.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Acquisition costs

Acquisition costs are those costs incurred by the Managers in underwriting the risks insured. These include the costs of processing proposals through to the issuing of policies.

8. Administration costs

	2010 £'000	2009 £'000
Managers' cost (Note 16)	385	255
Directors' fees	21	20
Directors' travel and meeting expenses	6	6
Directors' and Officers' insurance	9	10
Group secretariat expenses	9	9
Managers' travel and meeting expenses	4	5
Auditors' Remuneration	12	12
Auditors' Remuneration for tax services	3	3
Auditors' Remuneration for other services	3	3
Other professional fees	25	56
Printing and Stationery (including Rule Books)	17	21
Communications – telephones, facsimile and postage	8	6
Bank charges	5	4
	<u>507</u>	<u>410</u>
Investment Management Fees	23	23
	<u>530</u>	<u>433</u>

The Managers' costs cover the provision of staff and offices, other than the costs of processing proposals and the issuing of policies, which have been disclosed under acquisition costs.

Auditors' Remuneration for other services includes the fee in relation to the controls audit.

No loans have been made to the Directors and none are contemplated.

Other than the Directors, the Association itself had no employees

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Investments and other income

	2010 £'000	2009 £'000
Distributions from unit trusts	5	11
Interest on bonds and Government stocks	411	491
Interest on bank deposits	-	100
	<u>416</u>	<u>602</u>
Exchange loss arising during the year	<u>(28)</u>	<u>(156)</u>
	<u>388</u>	<u>446</u>

The Year End rates of exchange equivalent to £1 were:

	2010	2009
US\$	1.5415	1.4324
Euro	1.1409	1.1354

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Other financial investments

	Market Value 2010 £'000	Market Value 2009 £'000	Cost 2010 £'000	Cost 2009 £'000
Fixed interest securities	5,606	6,004	5,659	5,598
Other debt securities	5,019	4,791	4,921	4,587
Units in unit trusts	5,246	3,905	4,454	5,179
UCITS	957	947	897	947
Cash on Deposit	5	5	5	5
	<u>16,833</u>	<u>15,652</u>	<u>15,936</u>	<u>16,316</u>

All investment in unit trusts is in authorised unit trusts. Debt securities and other fixed income securities are all listed on a recognised stock exchange

11. Prepayments

	2010 £'000	2009 £'000
Prepayments	<u>7</u>	<u>7</u>

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Accruals

	2010 £'000	2009 £'000
Audit, accountancy and taxation	17	17
Accrued expenses	<u>2</u>	<u>6</u>
	<u>19</u>	<u>23</u>

13. Taxation

a) The charge in the Income and Expenditure Account represents:

	2010 £'000	2009 £'000
Corporation tax at 28%		
Current year	<u>364</u>	<u>-</u>

The current taxation charge for the year is different from the standard rate of corporation tax in the UK (28%). The differences are explained below.

	2010 £'000	2009 £'000
Surplus on ordinary activities before taxation	<u>2,862</u>	<u>(306)</u>
Theoretical tax at UK Corporation Tax rate of 28%	801	(86)
Effects of:		
- Balance on the technical account	(281)	(19)
- UK dividends not taxable	(1)	(3)
- Unrealised gains taxable on disposal of assets	(222)	-
- Indexation allowance on gains	(5)	-
- Unutilised loss carried forward	141	108
- Brought forward losses utilized	(66)	-
- Small companies relief	<u>(3)</u>	<u>-</u>
Actual current tax charge	<u>364</u>	<u>-</u>

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

b) Creditors	2010 £'000	2009 £'000
Corporation tax payable	364	-
Other taxation and social security	<u>4</u>	<u>4</u>
	<u>368</u>	<u>4</u>

13. Taxation (continued)

c) Tax Cash Flow	2010 £'000	2009 £'000
Taxation paid – per cash flow statement	<u>-</u>	<u>133</u>

14. Cash Flow Statement

Movement in cash, deposits and investments

	As at 20/02/2009	Cash flow	Changes to market value, currencies and other changes	As at 20/02/2010
	£'000	£'000	£'000	£'000
Cash at bank	<u>202</u>	<u>386</u>	<u>-</u>	<u>588</u>
Fixed interest securities	6,004	(221)	(177)	5,606
Other debt securities	4,791	198	30	5,019
Units in unit trusts	3,905	(239)	1,580	5,246
UCITS – Cash	947	(50)	60	957
Cash on Deposit	5	-	-	5
	<u>15,652</u>	<u>(312)</u>	<u>1,493</u>	<u>16,833</u>

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Cash flow statement (continued)

Reconciliation of the balance on the technical account to the net cash (outflow)/inflow from operating activities

	2010 £'000	2009 £'000
Balance on the technical account	981	67
Increase in technical provision for claims	(218)	-
Decrease in reinsurers' share of technical provision for claims	218	1
(Increase)/Decrease in debtors	(21)	14
Decrease in creditors	(1,302)	(387)
Decrease in prepayments	-	1
Net cash outflow from operating activities	<u>(342)</u>	<u>(304)</u>

15. Claims

Technical account	2010 £'000	2009 £'000
<u>Claims paid</u>		
Claims paid to policyholders	444	33
Reinsurance recoveries received from the combined group	<u>(359)</u>	<u>(29)</u>
	<u>85</u>	<u>4</u>
<u>Change in the provisions for claims</u>		
- Movement in the year		
Gross claims	218	-
Reinsurance	<u>(218)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Claims (continued)

Balance sheet	2010 £'000	2009 £'000
<u>Technical provisions</u>		
- Claims outstanding		
Gross amount due to the policy holder	<u>32</u>	<u>250</u>
<u>Reinsurers' share of technical provisions</u>		
- Claims outstanding	<u>32</u>	<u>250</u>

16. Managers' remuneration

The Managers' remuneration has been allocated to the appropriate expense headings. The total comprises:

	2010 £'000	2009 £'000
Acquisition costs	8	8
Administration	<u>385</u>	<u>255</u>
	<u>393</u>	<u>263</u>

17. Related party disclosures

The Association has no share capital and is controlled by the Members, who are also the insureds. The subsequent insurance transactions are consequently deemed to be between related parties but these are the only transactions between the Association and the Members.

All the Directors are former or current representatives or agents of Member companies and, other than the insurance and Member interests of the Directors' companies, the Directors have no financial interests in the Association.

18. Location and nature of business

All operations are direct war risks insurance written within the United Kingdom. All business is classified as marine, aviation and transport.

THE UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

MANAGERS AND OFFICERS

MANAGERS

THOMAS MILLER WAR RISKS SERVICES LIMITED

DIRECTORS

J.A. Culley
A Ward

SECRETARY

I R. Jarrett resigned 1 March 2010

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