

# SOUND SHORE FUND

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December 31, 2007

Dear Shareholder:

The Sound Shore Fund ended December 31, 2007 with a net asset value of \$35.68 following year-end per share distributions of \$0.09577 in dividends, \$0.38487, in short-term capital gains, and \$3.94957 in long-term capital gains. In the fourth quarter of 2007, the Fund declined by 4.18% versus a decline of 3.33% for the Standard & Poor's 500 Index ("S&P 500"). This was the first year since 1999 that the Fund has trailed the S&P 500. For the Year 2007, the Fund posted a gain of 2.58% versus 5.49% for the S&P 500, while the S&P Equal Weight Index gained only 1.53%.

We are required by the SEC to say that: *Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. The Fund's 1, 5, 10, and 15-year average annual total returns for the period ended December 31, 2007 were 2.58%, 14.18%, 7.41%, and 11.92%, respectively. As stated in the current prospectus, the Fund's annual operating gross expense ratio is .93%. For the most recent month-end performance, please visit the Fund's website at [www.soundshorefund.com](http://www.soundshorefund.com).*

The S&P 500 pierced its prior 2000 high midway through 2007, but the year ended up more noteworthy for its increased volatility. The accelerating real estate and credit crises combined with record high commodity prices created significant concerns about Gross Domestic Product ("GDP") and corporate profit growth. In a year where the financial sector of the S&P 500 performed the worst, declining 19%, we managed to avoid stepping on any of the really painful rakes in the banking/housing arena. As well, we sold Morgan Stanley profitably early in 2007 and Citicorp at mid-year avoiding more severe price erosion in the 4<sup>th</sup> quarter.

Insurance broker AON Corp. ("AON") was one of our best stocks last year, gaining 35% and well outpacing its financial peers. We started our investment in AON in early 2005 with the stock down 50% from its peak and valued at less than 12x forward earnings. Previously settled, industry-wide regulatory issues had raised concerns about the company's ability to regain its historical growth rates. By contrast, our discussions with corporate insurance brokerage customers indicated that AON had actually used the industry turmoil to strengthen its network by adding several large producers. Since 2005, AON's earnings power has increased by 75% as it has gained significant market share and rationalized its business lines, including the 2007 announced sale of its insurance subsidiary. As a result, the stock has more than doubled since our initial purchase.

Apollo Group, the leading US education services company, was another strong contributor for the year increasing by more than 50% in the several months after our purchase. After an extended run as a great growth stock through the late 1990s and early 2000s, Apollo shares showed up in our process after declining by more than one-half and reaching a price to earnings (P/E) multiple less than the S&P 500. Despite consensus concerns that renewed growth was unlikely, our research concluded that management's recent

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initiatives to lower student attrition rates through dedicated “enrollment counselors” and also to overhaul their online classrooms would yield better than expected revenues and margins. Through late 2007, Apollo’s progress was well ahead of forecast and as the shares reached our target price we sold our position.

Our biggest contributor for the year was Barrick Gold Corp. (“Barrick”), the world’s largest gold miner. In early 2007, Barrick’s stock was down 20% due to concerns about gold prices, which had dropped by as much as 25% from peak, and higher operating costs. At that time its valuation was at the very bottom of its historical P/E multiple range and less than 10x EBITDA. Our analysis suggested that Barrick’s cash margins were positioned to expand even in a flat gold price environment due to both improved price realizations through de-hedging and lower unit costs via upgraded ores at existing and new mines. Management’s solid execution has combined with an equally solid tailwind from gold prices and the shares have increased.

In 2007, we were disappointed by several of our media and cable investments which we expected would better weather any potential consumer slowdown. In addition to Time Warner, Inc. (“Time Warner”) and Interpublic Group of Cos., Inc. (“Interpublic Group”), this group included Comcast Corp. (“Comcast”) which, despite our purchasing it after a 22% decline, was our biggest detractor for the year. Although revenue growth slowed in 2007, Comcast’s cash flow continued to grow and free cash flow is poised to expand in 2008 and 2009 as the company completes its investment in triple play, video-telephony-broadband capability. Comcast’s stock is now valued at less than 7x cash flow for 2008. Meanwhile, media giant Time Warner met its financial targets in 2007, has a \$25 per share breakup value, and now has new leadership. And ad agency Interpublic continues to win new business, has an opportunity to expand operating margins, and generates over 40% of its revenue outside of the US. For all three, we believe value is building, making their risk/reward profiles attractive.

As the developed world’s economies continue to slow, the US Federal Reserve and other central banks seem likely to provide substantial incremental liquidity. It remains to be seen how extensive or effective these prospective moves will be given fairly low real interest rates and accelerating inflation indicators. Whether or not the market backdrop stays tumultuous and uncertain, our focus remains on out of favor stocks with sound underlying fundamentals which should yield good investment returns.

This year marks the 30<sup>th</sup> anniversary of the formation of Sound Shore Management, Inc., the adviser to the Sound Shore Fund. While founded in January 1978, the firm “started” in August 1978 with our first client, a \$2 million pension account. Today, this Fortune 100 pension fund remains one of our largest accounts. In our letter to this client in 1979, we described our inaugural year’s investments as “. . . well capitalized companies with reasonable expectations of a positive earnings stream and whose stocks were selling far below the price earnings ratios that had been established for them in the past. We believed these stocks had already endured a long and severe change in investor sentiment as reflected in their low relative multiple valuations and appeared to have discounted the uncertainty ahead.” After three decades of

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investing through a myriad of markets, we remain confident in our contrarian value approach and steadfast in our resolve to:

- Be focused - Having one process throughout our history has kept us fixated on researching stocks in order to make successful individual investment decisions.
- Be independent - Sound Shore has been owned by its partners since inception and is committed to staying so. Independence reinforces and facilitates our ability to invest with a contrarian and long-term mindset and stay fully aligned with our client base.
- Be neither bullish nor bearish, but skittish - As the former CEO of Intel, Andrew Grove, said “Only the paranoid survive.”

We thank you for placing your confidence and your investment alongside us in Sound Shore.

Sincerely,

SOUND SHORE FUND

**Harry Burn, III**

**John P. DeGulis**

**T. Gibbs Kane, Jr.**

*Co-Portfolio Managers*

*Fund returns assume the reinvestment of all dividend and capital gain distributions. The S&P Equal Weight Index (S&P EWI) is the equal-weight version of the widely regarded S&P 500. The index has the same constituents as the capitalization weighted S&P 500, but each company in the S&P EWI is allocated a fixed weight of .20%, rebalanced quarterly. It is not possible to invest directly in an Index. EBITDA represents Earnings Before Interest, Taxes, Depreciation, and Amortization.*

*Price to earnings (P/E) ratio is the value of a company's stock price relative to company earnings. Free cash flow yield is the overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share. Percent of net assets as of 12/31/07: AON Corp.: 2.96%; Apollo Group, Inc.: 0.00%; Barrick Gold Corp.: 2.22%; Comcast Corp.: 0.87%; Interpublic Group of Cos., Inc.: 1.11%; Time Warner, Inc.: 3.98%; and Morgan Stanley: 0.00%.*

*The Fund may invest in medium-sized companies, which involves greater risk than investing in larger, more established companies such as increased volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources.*

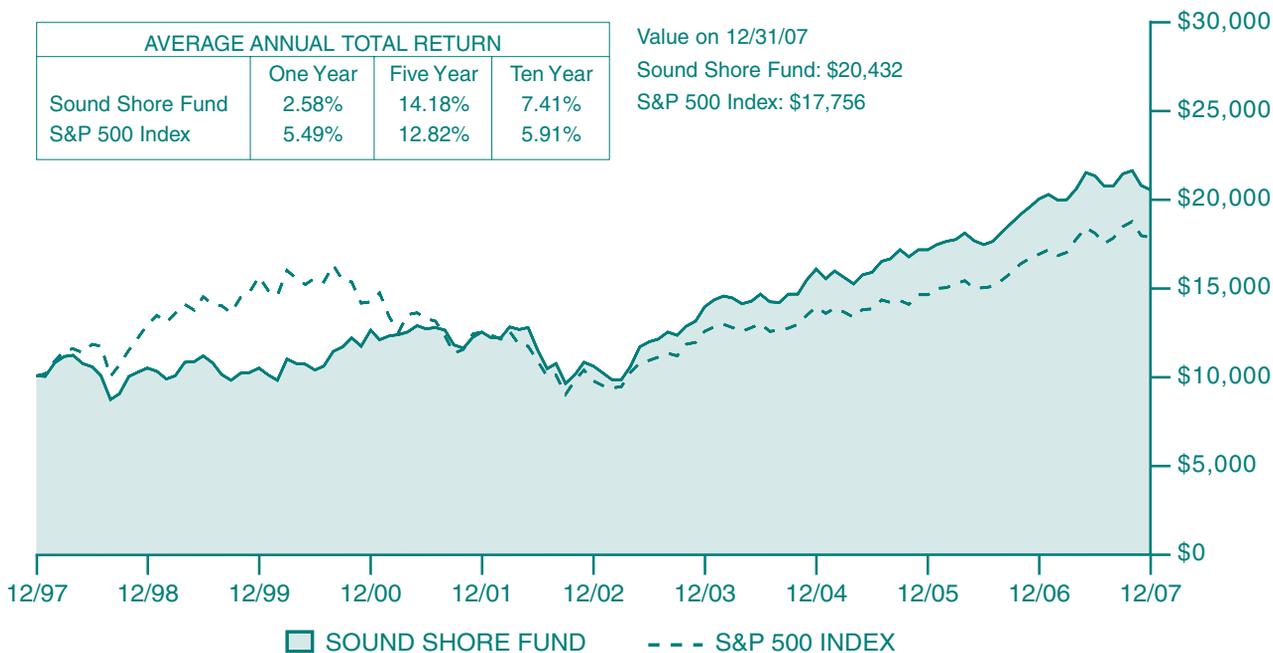
*The views in this letter were those of the Fund managers as of 12/31/07 and may not necessarily reflect their views on the date this letter is first published or anytime thereafter. These views (i) are intended to assist shareholders in understanding the Fund's present investment methodology and (ii) do not constitute investment advice. This letter must be preceded or accompanied by a current Fund prospectus. Distributed by Foreside Fund Services, LLC.*

The following chart reflects a ten-year comparison in the change in value of a hypothetical \$10,000 investment in Sound Shore Fund, Inc. (the “Fund”) including reinvested dividends and distributions, compared with a broad-based securities market index. The Standard and Poor’s 500 Index (the “S&P 500”) is a market-weighted index composed of 500 large capitalization companies and reflects the reinvestment of dividends. The Fund is professionally managed, while the S&P 500 is unmanaged and is not available for investment. The S&P 500 excludes the effect of any expenses, which have been deducted from the Fund’s return. The performance table and graph do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. During the period, certain fees were waived and/or expenses reimbursed; otherwise, returns would have been lower. ***Past performance cannot predict nor guarantee future results. Investment return and principal value of an investment in the Fund will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Results of an investment made today may differ substantially from the Fund’s historical performance. Current performance may be lower or higher than the performance data quoted.***

### SOUND SHORE FUND VS. S&P 500 INDEX

AVERAGE ANNUAL TOTAL RETURN			
	One Year	Five Year	Ten Year
Sound Shore Fund	2.58%	14.18%	7.41%
S&P 500 Index	5.49%	12.82%	5.91%

Value on 12/31/07  
 Sound Shore Fund: \$20,432  
 S&P 500 Index: \$17,756



**SOUND SHORE FUND, INC.**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007**

	<u>Share Amount</u>	<u>Market Value</u>
<b>Common Stock (97.8%)</b>		
<b>Auto (1.3%)</b>		
Goodyear Tire & Rubber Co. †	1,296,200	\$ 36,578,764
<b>Consumer Discretionary (14.4%)</b>		
Comcast Corp., Class A †	1,303,100	23,794,606
Interpublic Group of Cos., Inc. †	3,724,600	30,206,506
Time Warner, Inc.	6,584,400	108,708,444
Time Warner Cable, Inc., Class A †	1,618,700	44,676,120
Walt Disney Co.	3,081,500	99,470,820
Washington Post Co., Class B	108,348	85,749,858
		<u>392,606,354</u>
<b>Consumer Staples (3.3%)</b>		
Kimberly-Clark Corp.	497,100	34,468,914
Unilever NV NY	1,511,800	55,120,228
		<u>89,589,142</u>
<b>Diversified Financials (7.7%)</b>		
Bank of America Corp.	987,500	40,744,250
Credit Suisse Group ADR	1,176,700	70,719,670
Invesco, Ltd.	3,134,900	98,373,162
		<u>209,837,082</u>
<b>Energy (12.6%)</b>		
El Paso Corp.	5,435,700	93,711,468
Halliburton Co.	1,739,500	65,944,445
Pioneer Natural Resources Co.	1,342,900	65,587,236
Royal Dutch Shell plc ADR	570,900	48,069,780
Spectra Energy Corp.	2,788,200	71,991,324
		<u>345,304,253</u>
<b>Health Care (11.2%)</b>		
Baxter International, Inc.	1,368,300	79,429,815
Boston Scientific Corp. †	5,799,100	67,443,533
CIGNA Corp.	1,777,700	95,515,821
Kinetic Concepts, Inc. †	1,168,100	62,563,436
		<u>304,952,605</u>

See Notes to Financial Statements.

**SOUND SHORE FUND, INC.**  
**STATEMENT OF NET ASSETS (Continued)**  
**DECEMBER 31, 2007**

	<u>Share Amount</u>	<u>Market Value</u>
<b>Industrials (9.1%)</b>		
General Electric Co.	2,894,900	\$ 107,313,943
Southwest Airlines Co.	5,567,400	67,922,280
Waste Management, Inc.	2,249,800	<u>73,500,966</u>
		<u>248,737,189</u>
<b>Insurance (8.1%)</b>		
AON Corp.	1,692,800	80,729,632
Marsh & McLennan Cos., Inc.	1,865,900	49,390,373
Unum Group	3,826,100	<u>91,022,919</u>
		<u>221,142,924</u>
<b>Materials (6.1%)</b>		
Barrick Gold Corp.	1,440,300	60,564,615
Cytec Industries, Inc.	774,400	47,687,552
Newmont Mining Corp.	1,174,000	<u>57,326,420</u>
		<u>165,578,587</u>
<b>Pharmaceuticals (6.3%)</b>		
Barr Pharmaceuticals, Inc. †	1,716,700	91,156,770
Pfizer, Inc.	3,605,000	<u>81,941,650</u>
		<u>173,098,420</u>
<b>Technology (14.3%)</b>		
Flextronics International, Ltd. †	7,896,400	95,230,584
Hewlett Packard Co.	1,101,200	55,588,576
Sun Microsystems, Inc. †	2,889,700	52,390,261
Symantec Corp. †	3,188,200	51,457,548
Texas Instruments, Inc.	2,337,300	78,065,820
Western Digital Corp. †	1,899,800	<u>57,392,958</u>
		<u>390,125,747</u>
<b>Utilities (3.4%)</b>		
AES Corp. †	4,374,800	<u>93,576,972</u>
<b>Total Common Stock (cost \$2,386,356,038)</b>		<b><u>\$2,671,128,039</u></b>

See Notes to Financial Statements.

**SOUND SHORE FUND, INC.**  
**STATEMENT OF NET ASSETS (Continued)**  
**DECEMBER 31, 2007**

	<u>Share Amount</u>	<u>Market Value</u>
<b>Short-Term Investments (4.1%)</b>		
<b>Money Market Fund (3.6%)</b>		
Citi <sup>SM</sup> Institutional Liquid Reserves, Class A, 4.90% (cost \$97,088,313)	97,088,313	\$ 97,088,313
	<u>Principal</u>	
<b>Money Market Deposit Account (0.5%)</b>		
Citibank Money Market Deposit Account, 4.13% (cost \$15,453,037)	15,453,037	\$ 15,453,037
<b>Total Short-Term Investments (cost \$112,541,350)</b>		<b>\$ 112,541,350</b>
<b>Total Investments (101.9%) (cost \$2,498,897,388)*</b>		<b>\$2,783,669,389</b>
<b>Other Assets less Liabilities (-1.9%)</b>		<b>(52,741,565)</b>
<b>Net Assets (100.0%) (shares outstanding 76,543,507)</b>		<b>\$2,730,927,824</b>
<b>Net Asset Value (offering and redemption price per share)</b>		<b>\$ 35.68</b>

† Non-income producing security.

ADR — American Depository Receipt.

\* Cost for Federal income tax purposes is \$2,498,897,388 and net unrealized appreciation consists of:

Gross Unrealized Appreciation	\$348,290,210
Gross Unrealized Depreciation	<u>(63,518,209)</u>
Net Unrealized Appreciation	<u>\$284,772,001</u>

See Notes to Financial Statements.

*SOUND SHORE FUND, INC.*  
*STATEMENT OF NET ASSETS (Concluded)*  
*DECEMBER 31, 2007*

*AT DECEMBER 31, 2007 NET ASSETS CONSISTED OF:*

Par Value (100,000,000 shares authorized)	\$ 76,544
Paid in Capital	2,446,079,279
Unrealized Appreciation on Investments	<u>284,772,001</u>
<b>NET ASSETS</b>	<b><u><u>\$2,730,927,824</u></u></b>

**PORTFOLIO HOLDINGS**  
**% of Net Assets**

Auto	1.3%
Consumer Discretionary	14.4%
Consumer Staples	3.3%
Diversified Financials	7.7%
Energy	12.6%
Health Care	11.2%
Industrials	9.1%
Insurance	8.1%
Materials	6.1%
Pharmaceuticals	6.3%
Technology	14.3%
Utilities	3.4%
Short-Term Investments	4.1%
Other Assets less Liabilities	<u>(1.9)%</u>
	<u><u>100.0%</u></u>

See Notes to Financial Statements.

**SOUND SHORE FUND, INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**INVESTMENT INCOME**

Income:

Dividends (net of foreign withholding taxes \$799,304)	\$ 41,428,349
Interest	<u>383,702</u>
Total Income	<u>41,812,051</u>

Expenses:

Advisory fee (Note 3)	22,040,598
Administrator fee	1,069,745
Transfer Agency fee	2,938,725
Custodian fee	242,482
Accountant fee	59,718
Professional fees	141,777
Directors' fees and expenses (Note 3)	113,762
Compliance services fees (Note 3)	172,935
Miscellaneous	<u>219,297</u>
Total Expenses	<u>26,999,039</u>

Net Investment Income	<u>14,813,012</u>
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**REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS**

Net realized gain on investments sold	300,272,997
Net change in unrealized appreciation (depreciation) on investments	<u>(234,691,808)</u>
Net realized and unrealized gain (loss) on investments	<u>65,581,189</u>
Net increase in net assets from operations	<u>\$ 80,394,201</u>

See Notes to Financial Statements.

**SOUND SHORE FUND, INC.**  
**STATEMENTS OF CHANGES IN NET ASSETS**

**INCREASE (DECREASE) IN NET ASSETS**

	<b>For the Year Ended December 31, 2007</b>	<b>For the Year Ended December 31, 2006</b>
Operations:		
Net investment income	\$ 14,813,012	\$ 14,077,163
Net realized gain on investments sold	300,272,997	223,926,028
Net change in unrealized appreciation (depreciation) on investments	<u>(234,691,808)</u>	<u>168,531,226</u>
Increase in net assets from operations	<u>80,394,201</u>	<u>406,534,417</u>
Dividends to shareholders from net investment income	(14,841,050)	(14,075,600)
Dividends to shareholders from net realized gains	<u>(299,146,427)</u>	<u>(224,129,404)</u>
Total distributions to shareholders	<u>(313,987,477)</u>	<u>(238,205,004)</u>
Capital share transactions (Note 6)	<u>88,185,609</u>	<u>439,772,270</u>
Total increase (decrease)	(145,407,667)	608,101,683
Net assets:		
Beginning of the year	<u>2,876,335,491</u>	<u>2,268,233,808</u>
End of the year (Including line (A))	<u>\$2,730,927,824</u>	<u>\$2,876,335,491</u>
(A) Accumulated undistributed net investment income	<u>\$ —</u>	<u>\$ 12,624</u>

See Notes to Financial Statements.

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**SOUND SHORE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. Organization**

Sound Shore Fund, Inc. (the “Fund”) was incorporated under the laws of the State of Maryland on February 19, 1985 and is registered as a no-load, diversified, open-end management investment company under the Investment Company Act of 1940 (the “Act”), as amended. The investment objective of the Fund is growth of capital.

**2. Significant Accounting Policies**

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of increase and decrease in net assets from operations during the fiscal period. Actual results could differ from those estimates.

The following represent significant accounting policies of the Fund:

**a) Security Valuation**

Exchange traded securities (including those traded on the National Association of Securities Dealers’ Automated Quotation system) not subject to restrictions against resale are valued at the last sale price, as provided by independent pricing services as of the close of trading on the market or exchange for which they are primarily traded, on each Fund business day. In the absence of a sale, such securities are valued at the mean of the last bid and asked price. Non-exchange traded securities for which over-the-counter market quotations are readily available are generally valued at the mean between the current bid and asked prices provided by independent pricing services. Debt securities may be valued at prices supplied by a Fund’s pricing agent based on broker or dealer supplied valuations or matrix pricing, a method of valuing securities by reference to the value of other securities with similar characteristics, such as rating, interest rate and maturity. Investments in other investment companies are valued at net asset value. Money market instruments that mature in sixty days or less are valued at amortized cost.

Securities (including restricted securities) for which market quotations are insufficient or not readily available, or in the judgment of the Fund’s investment adviser, the prices or values available do not represent the fair value of the instrument, are valued in good faith, pursuant to procedures adopted by the Fund’s Board of Directors (the “Board”). Fair valuation is based on subjective factors and as a result, the fair value price of an asset may differ from the asset’s market price and may not be the price at which the asset may be sold. Fair valuation could result in a different net asset value (“NAV”) than a NAV determined by using market quotes.

**b) Security Transactions and Investment Income**

Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis. Foreign dividend income is recorded on the ex-dividend date or as soon as practical after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence. Income and capital gains on some

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**SOUND SHORE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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foreign securities may be subject to foreign withholding tax, which is accrued as applicable. Security transactions are recorded on a trade date basis. Realized gain and loss on investments sold are recorded on the basis of identified cost.

***c) Dividends to Shareholders***

Dividends from net investment income, if any, are declared and paid semi-annually. Capital gains, if any, are distributed to shareholders at least annually. The Fund determines its net investment income and capital gains distributions in accordance with income tax regulations, which may differ from generally accepted accounting principles. These differences are due primarily to differing treatments of income and gains on various investment securities held by the Fund, timing differences and differing characterizations of distributions made by the Fund.

***d) Federal Taxes***

The Fund intends to qualify each year as a regulated investment company and distribute all of its taxable income. In addition, by distributing in each calendar year substantially all of its net investment income, capital gain and certain other amounts, if any, the Fund will not be subject to a federal excise tax. Therefore, no federal income or excise tax provision is required.

**New Accounting Pronouncements** - In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 ("FIN 48"), "*Accounting for Uncertainty in Income Taxes* - an interpretation of FASB Statement No. 109". FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement No. 109, "Accounting for Income Taxes". This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective on the last business day of the first required financial reporting period for fiscal years beginning after December 15, 2006. Management has concluded that as of December 31, 2007, there are no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure. Each of the Fund's Federal tax returns filed in the 3-year period ended December 31, 2007 remains subject to examination by the Internal Revenue Service.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 "*Fair Value Measurements*" ("SFAS 157"), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those fiscal years. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. Management is currently evaluating the application of SFAS 157, and has not at this time determined the impact, if any, resulting from the adoption on the Fund's future financial statements.

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**SOUND SHORE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**3. Investment Advisory and Other Services**

**Investment Adviser**

The Fund's investment adviser is Sound Shore Management, Inc. (the "Adviser"). Pursuant to an investment advisory agreement, the Adviser receives an advisory fee at an annual rate of 0.75% of the Fund's average daily net assets.

Fees due to the Adviser in the amount of \$1,777,114 are payable at December 31, 2007.

**Other Services**

Citi Fund Services, LLC ("Citi") provides certain administration, portfolio accounting and transfer agency services to the Fund.

Foreside Fund Services, LLC is the Fund's distributor (the "Distributor"). The Distributor is not affiliated with the Adviser, Citi or its affiliated companies. The Distributor receives no compensation from the Fund for its distribution services.

Under a Compliance Services Agreement with the Fund, the Distributor provided a Chief Compliance Officer, Treasurer and Anti-Money Laundering Officer to the Fund as well as some additional compliance support functions ("Compliance Services") until January 24, 2007. Since January 25, 2007, the Compliance Services have been provided by Foreside Compliance Services, LLC ("FCS"), an affiliate of the Distributor, pursuant to a Compliance Services Agreement between FCS and the Fund. The Treasurer of the Fund is an affiliate of the Distributor due to his ownership interest in the Distributor. Neither the Distributor nor FCS has any role in determining the investment policies or which securities are to be purchased or sold by the Fund.

Compliance Services fees due to FCS in the amount of \$14,485 are payable at December 31, 2007.

The Fund pays each director who is not an "interested person" of the Fund as defined in Section 2(a)(19) of the Act ("Independent Director") \$5,000 per year, payable quarterly, plus \$5,000 for each Board meeting attended in person and \$2,000 for each Board meeting attended by telephone.

Certain Officers and Directors of the Fund are officers, directors, or employees of the aforementioned companies.

**4. Purchases and Sales of Securities**

The cost of securities purchased and the proceeds from sales of securities (excluding short-term investments) for the year ended December 31, 2007 aggregated \$2,382,415,425 and \$2,557,191,479, respectively. Securities purchased in the amount of \$48,862,784 are payable at December 31, 2007.

**SOUND SHORE FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Concluded)**

**5. Federal Income Tax and Investment Transactions**

Distributions during the fiscal years ended as noted were characterized for tax purposes as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Ordinary Income	\$ 41,403,302	\$ 34,545,453
Long-Term Capital Gain	272,584,175	203,659,551

As of December 31, 2007, the components of distributable earnings on a tax basis were as follows:

Net Unrealized Appreciation	\$284,772,001
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On the Statement of Net Assets, as a result of permanent book to tax differences, certain amounts have been reclassified for the year ended December 31, 2007. The following was the result of distributions in excess of earnings and has no impact on the net assets of the Fund.

Accumulated Net Investment Loss	\$ 15,414
Undistributed Net Realized Loss	479
Paid-In-Capital	(15,893)

**6. Capital Stock**

As of December 31, 2007, 100,000,000 shares of \$.001 par value stock were authorized and capital paid in amounted to \$2,446,155,823. Capital shares redeemed in the amount of \$9,693,263 are payable at December 31, 2007. Capital shares sold in the amount of \$4,787,402 are receivable by the Fund at December 31, 2007. Transactions in capital stock were as follows:

	<i>For the Year Ended December 31, 2007</i>		<i>For the Year Ended December 31, 2006</i>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Sale of shares	11,804,776	\$ 474,406,610	19,715,944	\$ 753,490,576
Reinvestment of dividends	8,546,609	307,497,611	5,945,394	233,674,228
Redemption of shares	<u>(17,207,498)</u>	<u>(693,718,612)</u>	<u>(14,181,752)</u>	<u>(547,392,534)</u>
Net increase from capital transactions	<u>3,143,887</u>	<u>\$ 88,185,609</u>	<u>11,479,586</u>	<u>\$ 439,772,270</u>

Of the 76,543,507 shares outstanding as of December 31, 2007, the Employees' Profit Sharing Plan of the Adviser owned 505,875 shares.

**7. Other Information**

On December 31, 2007, three shareholders held approximately 75% of the outstanding shares of the Fund. These shareholders are comprised of omnibus accounts, Charles Schwab, National Financial Services Corp., and JPMorgan Chase Bank, which are held on behalf of numerous individual shareholders.

**SOUND SHORE FUND, INC.**  
**FINANCIAL HIGHLIGHTS**

These financial highlights reflect selected data for a share outstanding throughout each period.

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net Asset Value, Beginning of Period	\$ 39.19	\$ 36.63	\$ 36.71	\$ 33.51	\$ 25.81
Investment Operations					
Net investment income	0.20(a)	0.21(a)	0.07(a)	0.10	0.05
Net realized and unrealized gain (loss) on investments	<u>0.83</u>	<u>5.86</u>	<u>2.43</u>	<u>5.05</u>	<u>8.14</u>
Total from Investment Operations	<u>1.03</u>	<u>6.07</u>	<u>2.50</u>	<u>5.15</u>	<u>8.19</u>
Distributions from					
Net investment income	(0.21)	(0.21)	(0.07)	(0.10)	(0.05)
Net realized gains	<u>(4.33)</u>	<u>(3.30)</u>	<u>(2.51)</u>	<u>(1.85)</u>	<u>(0.44)</u>
Total Distributions	<u>(4.54)</u>	<u>(3.51)</u>	<u>(2.58)</u>	<u>(1.95)</u>	<u>(0.49)</u>
Net Asset Value, End of Period	<u>\$ 35.68</u>	<u>\$ 39.19</u>	<u>\$ 36.63</u>	<u>\$ 36.71</u>	<u>\$ 33.51</u>
Total Return	2.58%	16.56%	6.81%	15.37%	31.74%
Ratio/Supplementary Data					
Net Assets at End of Period (in thousands)	\$2,730,928	\$2,876,335	\$2,268,234	\$1,698,232	\$1,014,412
Ratios to Average Net Assets:					
Expenses (net of reimbursement)	0.92%	0.92%	0.98%	0.98%	0.98%
Expenses (gross)(b)	0.92%	0.92%	0.99%	0.99%	1.00%
Net Investment Income	0.50%	0.54%	0.20%	0.33%	0.18%
Portfolio Turnover Rate	84%	66%	62%	50%	62%

(a) Calculated using the average shares outstanding for the period.

(b) Reflects expense ratio in the absence of expense waiver and reimbursement.

**To the Board of Directors and Shareholders of  
Sound Shore Fund, Inc.:**

We have audited the accompanying statement of net assets of Sound Shore Fund, Inc. (the “Fund”) as of December 31, 2007, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Sound Shore Fund, Inc. as of December 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP  
Boston, Massachusetts  
February 25, 2008

**SOUND SHORE FUND, INC.**  
**DECEMBER 31, 2007 (Unaudited)**

**Shareholder Expense Example**

As a shareholder of the Fund, you incur ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The following example is based on \$1,000 invested at the beginning of the period and held for the entire period from July 1, 2007 through December 31, 2007.

**Actual Expenses** - The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

**Hypothetical Example for Comparison Purposes** - The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing cost of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	<u>Beginning Account Value July 1, 2007</u>	<u>Ending Account Value December 31, 2007</u>	<u>Expenses Paid During Period*</u>
Actual Return	\$1,000.00	\$ 962.97	\$4.55
Hypothetical Return	\$1,000.00	\$1,020.57	\$4.69

\* Expenses are equal to the Fund's annualized expense ratio of 0.92%, multiplied by the average account value over the period, multiplied by the number of days in most recent fiscal half-year divided by 365 to reflect the half-year period.

**Federal Tax Status of Dividends Declared during the Fiscal Year**

**Income Dividends** - For Federal income tax purposes, dividends from short-term capital gains are classified as ordinary income. All net investment income dividends were ordinary income. The Fund paid income dividends of \$41,403,302 for the tax year ended December 31, 2007, of which \$26,562,252 were short term capital gain dividends. The Fund designates 74.41% of its income dividend distributed as qualifying for the corporate dividends-

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**SOUND SHORE FUND, INC.**  
**DECEMBER 31, 2007 (Unaudited) (Continued)**

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received deduction (DRD) and 88.47% for the qualified dividend rate (QDI) as defined in Section 1(h)(11) of the Internal Revenue Code. The Fund also designates 1.56% of its income dividends as qualified interest income (QII) and 100.00% as qualified short-term capital gain dividends exempt from U.S. tax for foreign shareholders (QSD).

**Capital Gain Dividends** - The Fund paid long-term capital gain dividends of \$272,584,175 for the tax year ended December 31, 2007.

**SOUND SHORE FUND, INC.**  
**DECEMBER 31, 2007**

***Proxy Voting Information***

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to securities held in the Fund's portfolio is available, without charge and upon request, by calling (800) 551-1980 or by visiting the Fund's web site at <http://www.soundshorefund.com>. This information is also available from the EDGAR database on the SEC's Web site at <http://www.sec.gov>.

The Fund's proxy voting record for the most recent 12-month period ended June 30 is available, without charge and upon request, by calling (800) 551-1980 or by visiting the Fund's web site at <http://www.soundshorefund.com>. This information is also available from the EDGAR database on the SEC's Web site at <http://www.sec.gov>.

***Availability of Quarterly Portfolio Schedule***

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available on the SEC's website at <http://www.sec.gov> or may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

***Directors and Officers of the Fund***

The following is relevant information regarding each Director and Officer of the Fund:

<u>Name, Address and Age</u>	<u>Position(s) With the Fund</u>	<u>Length of Time Served</u>	<u>Principal Occupation(s) During the Past Five Years</u>	<u>Other Directorships Held by Director</u>
<b>Independent Directors</b>				
Dr. D. Kenneth Baker c/o Sound Shore Fund, Inc. 3435 Stelzer Road Columbus, OH 43219 Age: 84	Director, Audit Committee (member); Nominating Committee (Chair); Valuation Committee (member)	March 1987 to present	Retired, since 1999; Consultant, Princeton University, 1990 - 1998; Consultant, University of Pennsylvania, 1992 - 1998.	
Harry W. Clark c/o Sound Shore Fund, Inc. 3435 Stelzer Road Columbus, OH 43219 Age: 58	Director; Audit Committee (member); Nominating Committee (member); Valuation Committee (member)	January 23, 2006 to present	Managing Partner, Stanwich Group LLC (public policy consulting firm) since January 2001; Managing Partner, Clark & Weinstock (policy and communications consulting firm) July 1987 - December 2001.	

**SOUND SHORE FUND, INC.**  
**DECEMBER 31, 2007**

**Directors and Officers of the Fund (Continued)**

<b>Name, Address and Age</b>	<b>Position(s) With the Fund</b>	<b>Length of Time Served</b>	<b>Principal Occupation(s) During the Past Five Years</b>	<b>Other Directorships Held by Director</b>
H. Williamson Ghriskey Jr. c/o Sound Shore Fund, Inc. 3435 Stelzer Road Columbus, OH 43219 Age: 63	Director; Audit Committee (Chair); Nominating Committee (member); Valuation Committee (member)	January 23, 2006 to present	Director/Portfolio Management, First Republic Investment Management (investment counseling firm) September 1978 to present (Director since September 1997).	
David Blair Kelso c/o Sound Shore Fund, Inc. 3435 Stelzer Road Columbus, OH 43219 Age: 55	Director; Audit Committee (member); Nominating Committee (member); Valuation Committee (member)	January 23, 2006 to present	Managing Partner, Kelso Advisory Services (consulting firm) since October 2003; Executive Vice President, Strategy & Finance, Aetna, Inc. (insurance firm) September 2001 - September 2003); Chief Financial Officer, Executive Vice President, and Managing Director, Chubb, Inc. (insurance firm) August 1996 - August 2001; Director, Aspen Holdings, Inc. (insurance firm) June 2005 to present; Director, Kelso Risk Management (insurance brokerage) September 1990 to present.	Director (Since July 2006) of Exl Service Holdings, Inc.; Director (Since May 2006) Assurant, Inc.
John J. McCloy II c/o Sound Shore Fund, Inc. 3435 Stelzer Road Columbus, OH 43219 Age: 70	Director; Audit Committee (member, previously Chair through January 23, 2006); Nominating Committee (member); Valuation Committee (member)	April 1985 to present	Director, Clean Diesel Technology, Inc. (environmental technology firm) since 2005; Director, Ashland Management (investment management) since 2003; Chairman, SpringerRun, Inc. (marketing) since 2002; Director, American Council on Germany (non-profit entity) since 2002; Chairman, Gravitas Technologies, Inc. (information technology) since 2001; Entrepreneur, J.J. McCloy II, Inc. (investment management) since 1980.	
<b>Interested Directors</b>				
Harry Burn, III, M.B.A. 8 Sound Shore Drive Greenwich, Connecticut 06830 Age: 64	Chairman and Director; Valuation Committee (member)	April 1985 to present (Chairman September 1992 to present)	Chairman and Director, Sound Shore Management, Inc. since 1978; Chartered Financial Analyst.	

**SOUND SHORE FUND, INC.**  
**DECEMBER 31, 2007**

**Directors and Officers of the Fund (Concluded)**

<b>Name, Address and Age</b>	<b>Position(s) With the Fund</b>	<b>Length of Time Served</b>	<b>Principal Occupation(s) During the Past Five Years</b>	<b>Other Directorships Held by Director</b>
T. Gibbs Kane, Jr. 8 Sound Shore Drive Greenwich, Connecticut 06830 Age: 60	President and Director, Valuation Committee (member)	April 1985 to present	President and Director, Sound Shore Management, Inc. since 1977; Chartered Financial Analyst.	
<b>Officers</b> Shanna S. Sullivan 8 Sound Shore Drive Greenwich, Connecticut 06830 Age: 62	Secretary; Valuation Committee (Chair)	October 1985 to present	Vice President, Treasurer, Secretary and Director, Sound Shore Management, Inc. since 1979.	
Simon D. Collier Two Portland Square Portland, Maine 04101 Age: 46	Treasurer	April 2005 to present	President of Foreside Financial Group LLC ("FFG"), (financial services firm), the parent of the Distributor, and holds various officer positions of FFG subsidiaries, 2005 to present; President, Foreside Services, Inc. (staffing services firm), an affiliate of the Distributor, 2006 to present; Chief Operating Officer and Managing Director, Global Fund Services, Citigroup 2003-2005; Managing Director, Global Securities Services for Investors, Citibank, N.A. 1999- 2003. Mr. Collier serves as an officer to other unaffiliated mutual funds or closed-end funds for which the Distributor or its affiliates, act as distributor or provider of other services.	
Leslie K. Klenk Two Portland Square Portland, Maine 04101 Age: 43	Chief Compliance Officer	November 2006-present	Director, Foreside Compliance Services, LLC (mutual fund compliance services provider) since November 2006; Chief Compliance Officer, Ironwood Series Trust (mutual fund) since November 2006; Chief Compliance Officer, Wintergreen Fund, Inc. (mutual fund) since December 2006; Senior Vice President and Counsel, Citigroup Fund Services, LLC (mutual fund services provider) (1998 - 2006).	

- (1) *Term of Service is until his/her successor is elected or qualified or until his/her earlier resignation or removal.*  
(2) *Harry Burn, III and T. Gibbs Kane, Jr. are "interested persons" of the Fund as defined in Section 2(a)(19) of the 1940 Act by virtue of their position as shareholders, senior officers, and Directors of the Adviser. Each is a portfolio manager of the Fund.*

*The Statement of Additional Information ("SAI") contains additional information about the Fund's Directors. The SAI is available for free, by contacting the Fund at (800) 551-1980.*

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# ***SOUND SHORE FUND***

## **Investment Adviser**

Sound Shore Management, Inc.  
Greenwich, Connecticut

## **Administrator**

Citi Fund Services, LLC  
Portland, Maine

## **Distributor**

Foreside Fund Services, LLC  
Portland, Maine

## **Transfer and Distribution Paying Agent**

Citi Fund Services, LLC  
Columbus, Ohio

## **Custodian**

Citibank, N.A.  
New York, New York

## **Counsel**

Dechert LLP  
New York, New York

## **Independent Registered Public Accounting Firm**

Deloitte & Touche LLP  
Boston, Massachusetts

107-AR-1207

This report is submitted for the general information of the shareholders of the Fund. It is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective prospectus, which includes information regarding the Fund's objectives and policies, experience of its management, marketability of shares, and other information.

**SOUND SHORE FUND, INC.**

3435 Stelzer Road  
Columbus, OH 43219  
<http://www.soundshorefund.com>

**Annual Report**

**DECEMBER 31, 2007**

**SOUND  
SHORE  
FUND**

