



Management Report

20 February 2009



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\$796m
Gross written
premium

\$430m
General
contingency
reserve

\$1.7bn
Total assets

\$150m
Negative result
after tax

78%
Combined
net ratio

\$157m
Technical
Surplus



CHAIRMAN'S STATEMENT

2008 was a year of two halves for the shipping and insurance industries – starting on a prosperous note, but ending the year in free fall, being pulled down by the global financial crisis. The unexpectedly sharp and rapid deterioration in global economic activities from September 2008 onwards, combined with a total fleet growth of around 8%, led to a dramatic decline in utilisation rates for most shipping segments, with some sectors experiencing operating deficits – something not seen on such a scale for more than 25 years.

The unprecedented long boom which the maritime industry previously enjoyed fuelled an unsustainable order book, and the industry is now facing significant overcapacity and perhaps an extended period of uncertainty, the effects of which are being felt both by Members and clients – and inevitably by service providers such as Gard.

FEELING THE EFFECTS

While our insurance operations have performed exceptionally well in 2008, with significant improvements in the combined ratios across all areas, our investment returns have been negatively affected by the general fall in asset values. There is no doubt that the last 12 months have tested both Gard's financial strength and our business model. Our model is built to weather unpredictable, severe financial downturns with the maintenance of a strong balance sheet as a key goal.

The role of healthy free reserves is to absorb periodic shocks to the system – and ours did just that last year. With total assets of USD 1.7 billion and free reserves at USD 430 million, we are confident that we can re-build our asset base from retained earnings – which is already showing positive signs in the first quarter of the current financial year.

One should not tell how the economic downturn in the shipping industry might affect claims. The cost of claims does seem to be falling as the economic slowdown brings lower commodity prices and increased yard availability. Capacity shortages in both hardware and software across industry sectors have driven up costs during the boom years, resulting in a deteriorating claims picture which is hopefully now coming back under control. However, one should not discount the possibility that 2008 could be an atypical year, in which case it is too early to count on improving claims taking some of the stress out of the pricing of risks.

A SAFETY NET

Whenever new legislation is introduced, we strive to respond swiftly and effectively. That was the thinking behind the creation in 2008 of the Safeguard Guarantee Company Ltd. It was established in Bermuda to offer financial security under the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (the Bunker Convention) for mobile offshore units, small craft, and other vessels whose reinsurance falls outside the structure established by the International Group of P&I Clubs.

In complying with the Bunker Convention, Clubs like Gard are exposed to certain risks (primarily nuclear, biological and chemical) that fall outside the scope of the traditional reinsurances taken out in the commercial market for these types of vessels. Although it could be argued that these types of risks are very low frequency, the effect that they could have on a Club's balance sheet (and therefore the Members of the Club) could be extremely severe.

Safeguard will not only issue the required Bunker Blue Cards and act as the guarantor for all categories of liabilities arising

“Our model is built to weather unpredictable, severe financial downturns with the maintenance of a strong balance sheet as one of our key goals.”

out of pollution damage caused by bunker oil, as defined in the convention, but it will also act as a risk transfer mechanism for shipowners for these risks.

The result is that we have created an effective solution to cover owners and operators, without exposing our balance sheet to unnecessary risks. After the first six months of operation, Safeguard has insured around 200 units. No claims have been reported in this period. As well as accepting units insured with Gard P&I for ordinary P&I risks, the portfolio also contains vessels insured by other marine liability insurers and/or P&I Clubs. The business volume is expected to grow in the next few years as the number of State parties to the Bunker Convention increases, making for more competitive premiums for individual clients in future.

A CHANGING ENVIRONMENT

A major overhaul of the supervisory framework of the insurance industry was approved by the European Parliament at the end of April when MEPs voted in favour of the Solvency II legislation. The aim of the legislation is to help ensure the financial stability of insurance (and reinsurance) companies by introducing more comprehensive solvency requirements which will take into account not only the insurance risks as at present, but also market, credit and operational risks. Member States will have to adopt the new directive by 31 October 2012 at the latest. I am pleased to say that Gard has been in compliance with the new directive for some time now; even on 20 November 2008, when the financial markets were around their lowest last year, Gard's capital base still met the required standards.

The one area where activity is unfortunately very much on the rise is piracy. Despite a lower volume in global seaborne trade, risks to persons and property are certainly very much on the increase – not only in the Gulf of Aden, but in other regions as well. Even with better co-ordination between international naval forces, pirate attacks continue unabated. There are no easy or quick solutions to the piracy problem in the absence of any global legal, jurisdictional framework and clear rules of engagement for the various naval forces involved. Piracy challenges all segments of our industry, including Gard with respect to P&I and marine products. We remain committed to assisting our Members with both loss prevention advice and assistance in the aftermath of a pirate attack or hijack.

Given the difficulties of the past year, I would like to pay particular thanks to all of the members of our committees and boards for their contribution to the group. I know that I speak for all of our Members and clients when I pay tribute to the hard work of the management and staff. Each year seems to be busier than the last, and their tireless efforts and support are the bedrock of the business. As we all move forward into uncharted territory, the sense of community which is a core part of the Gard organisation will undoubtedly help us to arrive safely in calmer waters.



Stephen Pan
Chairman

“The results for the 2008 policy year reflect strong operational performance – with all areas of our insurance business performing well.”

CEO'S STATEMENT

The last year was one of contrasting trends for Gard. It presented a number of challenges and the results for the 2008 policy year reflect both the volatility in the investment markets and a strong operational performance. While there is inevitably a high degree of uncertainty about the future, the business of insurance is about dealing with that uncertainty. Our role is to help our Members and clients to manage risk and its consequences – and in the last year we have built further on our foundations to ensure that we can do just that.

OPERATIONAL SUCCESS

At a group level our combined net ratio (CNR) for 2008 was 78%, a significant improvement from 109% in 2007. All areas of our insurance business performed well – a trend that has continued in the first quarter of the current financial year. The technical result for the group was a surplus of USD 157 million – the results of improved pricing and selection, strong client relationships and a more favourable claims picture.

We believe very strongly that getting the right price for the risk is the only sustainable way to run this business. Our Members and clients are facing tough trading conditions, a situation that may continue for some time, and – despite the fact it is very necessary – it makes for hard conversations to ask for rises in premiums under these circumstances. However, we know that it is vital to have an underwriting culture that reflects the changing risk environment and our focus is on writing business not for market share, but at a premium that reflects the underlying risk.

At the same time, premium volume has continued to increase, and for 2008 each business area was ahead of budget; P&I saw an increase in gross written premium of 13%, and in Marine & Energy it was 8%. In P&I, we have seen a continued trend for

owners to put 100% of their fleet with Gard, while in marine the share of vessels where we have the claims lead has increased from 45% of the portfolio to 55%. Both of these trends demonstrate the ongoing appeal of our financial strength and the high levels of service and expertise that we provide.

Claims inflation slowed considerably during the year, particularly in the second half. There have also been fewer claims than normal above USD 2 million, which has made a positive contribution to our technical results.

CHALLENGING MARKET CONDITIONS

The problems created by the fall in the investment markets have been well documented. Despite having robust processes in place, it was almost impossible to avoid the consequences of the problems facing almost all asset classes. As a result, the non-technical result was a loss of USD 307 million.

In an evolving risk landscape, it is important to align the investment portfolio to reflect those changes, and we have been taking steps to do that. In October, we undertook an asset allocation study to review the portfolio given the ongoing uncertainty in the financial markets. We also established a Risk Capital Committee – an internal group led by myself – which acts as an advisory body on risk and capital management matters for the Top Management Group and the boards of the various companies within the Gard group. Its remit is to actively monitor developments and take timely actions when needed in a highly volatile market situation; to strengthen the governance of overall risk taking, investment management and risk management; and to ensure a shared understanding of risk within Gard.

Our investment performance was affected not just by the turmoil in the financial markets, but also by significant changes

in the currency markets. Around 50% of the under-performance of our investments against the benchmark can be accounted for by foreign exchange movements – reflecting the impact of a strongly strengthening dollar against the major currencies held in the portfolio (in proportion to anticipated claims). This currency loss on the asset side is offsetting a reduction in the USD value of non dollar claims.

While the global financial crisis has had an adverse affect on our results, it has also demonstrated why Gard has focused so closely on the need to be strongly capitalised. We have been able to withstand a fall in asset prices without having to raise capital from the mutual Members by levying an unbudgeted supplementary call.

GETTING CLOSER TO CLIENTS

One of our key initiatives in the last 12 months has been to look at how we allocate our resources so that we can understand and meet the needs of our Members and clients as intelligently as possible. Matching our structure to theirs, so that we are organised by customer segment rather than by product, will help us to do just that.

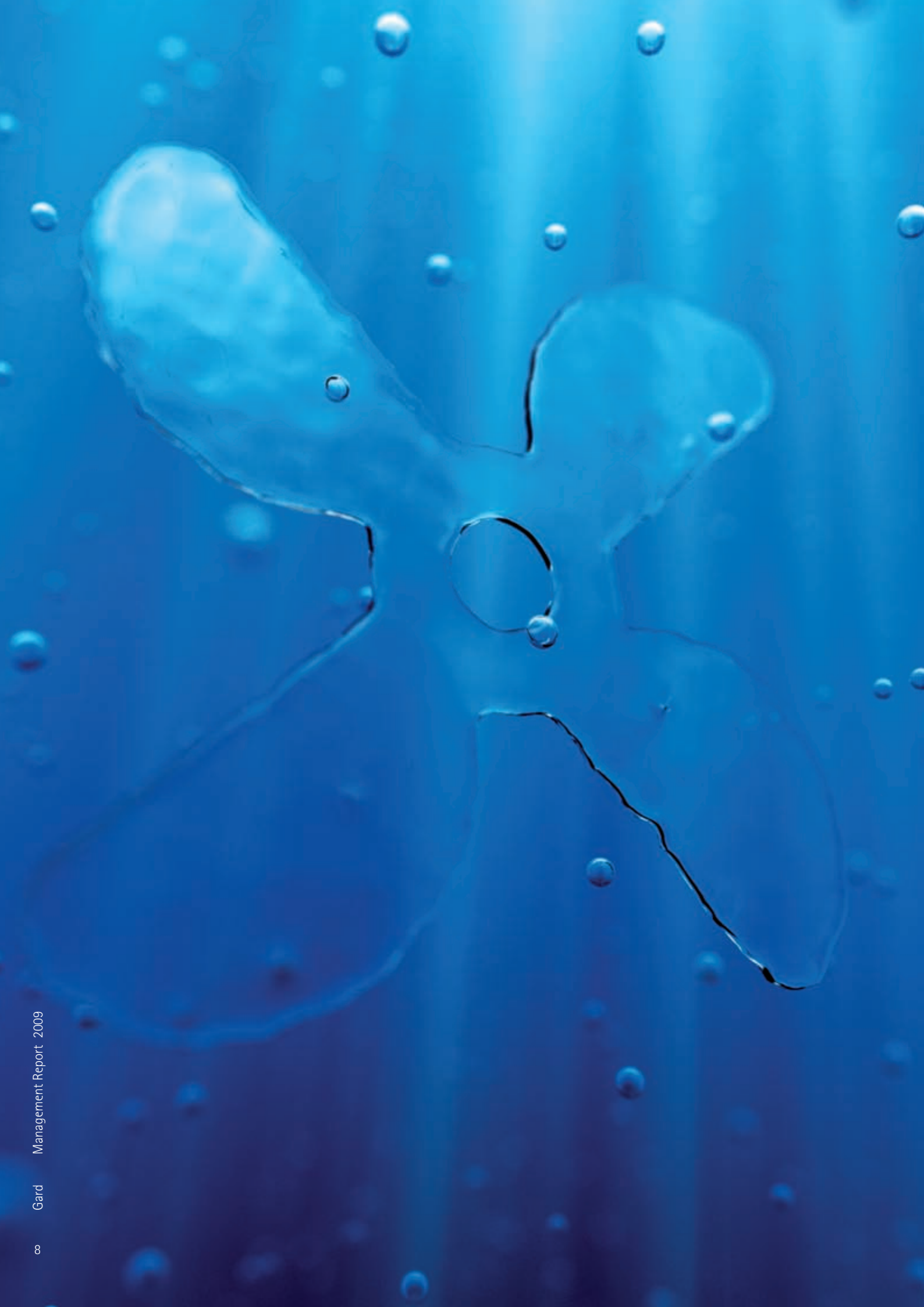
By focusing on shipowning or chartering, contracting, mobile offshore units, oil and gas etc., we will increase the specialisation of our underwriters and help them to work with you more closely – understanding your approach to risk mitigation and providing a co-ordinated and seamless service from all parts of the organisation. As well as building closer client relationships, we believe this will deliver real benefits in terms of efficiency, effectiveness, knowledge and expertise.

LOOKING TO THE FUTURE

The 2009 policy year has begun well, but the events of the last 18 months have shown us that the need for vigilance and preparation cannot be underestimated. We will continue pursuing our long-term strategies and will use the experience and expertise that we have accumulated over the years to create an environment that helps our Members and clients to navigate their way through what are likely to be turbulent markets.



Claes Isacson
Chief Executive Officer



“We are organising ourselves by customer segment rather than by product to deliver the very best of Gard.”

UNDERSTANDING YOUR PERSPECTIVE

In the last year we have given considerable consideration to how we can understand and meet the needs of our Members and clients as intelligently as possible from an underwriting perspective. We have decided that by matching our structure to theirs – so that we are organised by customer segment rather than by product – we will be able to deliver the very best of Gard as effectively and cost-efficiently as possible.

While we will still underwrite with two capital bases for P&I and M&E, we deliver a single point of contact. In these difficult economic conditions, we believe that it is more important than ever to work closely with our Members and clients to understand their approach to risk mitigation – and provide a co-ordinated and seamless service from all parts of the organisation.

Therefore, from the early autumn, our underwriting will be organised by client type across the traditional borders of marine and P&I. For shipowners and charterers, geographic areas have been identified, each of which has been allocated a manager and a team of underwriters. The manager will be responsible for the portfolio in a specific area, co-ordinating all activities to ensure an efficient and responsive sales, renewal and service process. Their underwriters will have allocated clients for whom they will be the primary point of contact for all of their maritime insurance needs.

In addition, there will be a number of teams concentrating on industry segments on a worldwide basis – oil and gas companies, offshore, trader charterers, small craft' risks and marine builders' risks.

The underwriting teams will be supported by four dedicated functions:

- Market research and analysis – covering, among other things, research into relevant macro-economic, shipping and insurance industry issues, as well as market and business intelligence.
- Products – focusing on conditions and wordings, limits for coverage, a library of clauses etc. Also proactive and reactive product development.
- Technical underwriting – concentrating on pricing analysis and tools, underwriting rationale and portfolio management.
- Documentation and support – focusing on production of policies, certificates etc.

A BENIGN CLAIMS EXPERIENCE

All areas of underwriting have benefited from the absence of many high severity claims in the 2008 policy year. For example, in P&I there were only two Pool claims last year – following two particularly bad years – and neither of these were from Gard. While there was a moderate frequency of claims in marine, the major losses were avoided almost entirely. Energy too had a very benign year despite a very active hurricane season and other substantial market claims.

THE ALIGNMENT OF PRICE TO RISK

In the last two years we have focused on moving premiums to levels that reflect the underlying risk across all areas of our business. In P&I this means that we may not always be the cheapest option, but we are concentrating on long-term sustainable underwriting on competitive terms. In marine and energy, the withdrawal of capacity in both markets has meant that rates overall have improved more rapidly than might have been predicted at the beginning of the year. This, combined with a tuning of the portfolio towards less claims intensive segments, has helped to deliver strong combined ratios.

THE VALUE OF SERVICE

In all areas of underwriting, premium volume has increased in 2008. In P&I we are still seeing second-hand tonnage being entered by existing Members. This shows that they are still choosing to put their ships with Gard – and for many this means 100% of their fleet – and we have seen a net increase in tonnage of 10.2m gt, growing in line with our market share. For marine, the best measurement of client satisfaction is the fact that the number of vessels where Gard has the claims lead has increased from 45% to 55%.



P&I

While the first half-year saw disappointing results, with the increased severity of claims taking their toll, by the full-year the technical results had turned around completely and a profit of USD 96 million was delivered.

The renewal this year was a difficult one. Our Members and clients are facing tough trading conditions, which makes it hard to ask for the premium rises that the risk profile might require. However, we did achieve our 15% general increase and our existing Members showed a strong commitment to the Club, with more than 98% of the mutual tonnage being renewed. There were also some significant gains from existing quality Members.

While there were limited additions to tonnage from new Members, our total owned tonnage is now 127m gt. We succeeded in achieving a stable development after the strong growth of the last three years. Through this renewal we aimed to improve the overall quality of the portfolio and these changes are making a significant difference to that.

The market for charterer's liability and P&I for mobile offshore units has also been very competitive this year. Other Group clubs and fixed-premium facilities have been active in challenging our position as a market leader. Despite this, we have kept the vast majority of our existing business, as well as attracting new quality business. We now have in excess of 50m gt in the portfolio.

MARINE

The marine market has been a challenging place for a number of years as premium increases have not been sufficient to compensate for claims inflation. The marine market as a whole has experienced poor underwriting results, especially as claims increased in severity, but 2008 did see the market undergo a significant shift.

During the summer, the claims environment got tougher and tougher, and underwriting businesses had to take a very hard look at their business models – either taking drastic steps to bring rates up or to get out of the industry. A few players did stop underwriting and there was a noticeable withdrawal of capacity from the Norwegian market, which meant that prices started to move in a more positive direction. The London market began to follow and rates have continued to improve more rapidly than we might have predicted when the budget was set a year ago.

Despite this, hull & machinery is still a challenging product, so the portfolio needs to be designed to cope with fluctuating profitability by blending the line size structure and the mix of the portfolio, as well as retaining a low cost base. This way it is possible to achieve long-term viability.

ENERGY

The 2008 year has been a good one for both energy and marine builders' risks, with budgets being exceeded on the volume of business written, and the final result reflects the fact that there have been no major losses in this area.

Last year saw the peak of the marine builders' risks market in terms of premium growth as the building boom came to an end. This sector is seeing an increase in the cancellations of orders as owners feel the effects of the economic recession and adjust their fleets accordingly. This is undoubtedly a systemic shift in the marketplace and it is hard to predict how it will look going forward.

In the energy market, 2008 saw an almost total turnaround in terms of pricing. Starting with a soft market, by the spring the accumulation of attritional losses, construction risk losses and quite a few downstream losses caused prices to firm. As the credit crunch developed and capital became more difficult to find, so this trend continued.

The damage caused by Hurricanes Ike and Gustav added the final push to a genuinely hard market – and we are fortunate to be one of very few energy underwriters not carrying significant losses from them. In terms of business written, energy ended the year 20% over budget, and the premium quality was better than anticipated. We have also benefited from the fact that we have settled a number of old claims more favourably than expected, and the combined ratio for the year was 55%.

“We may not always be the cheapest option, but we are concentrating on long-term sustainable underwriting on competitive terms.”



“ All areas have benefited from the absence of many high severity claims in the 2008 policy year. ”

MARINE

We are pleased to say that the marine claims picture for the 2008 policy year has been relatively benign. We were lucky to have only a moderate frequency of claims, as well as avoiding major losses almost entirely. Overall, the year ended with claims below budget – and it is unlikely that we will see any adverse developments that could seriously affect the results.

The fact that our single risk exposure has been reduced due to smaller shares on each and every risk has undoubtedly helped our results.

Challenging times

The severity of claims in hull & machinery has been steadily increasing in the last several years – driven by resource shortages and rising prices for raw materials. This trend continued into the first half of the 2008 policy year, with an increasing emphasis on the rising cost of delayed repairs, as well as high fuel prices which increased the cost of towage as removals tended to be over greater distances.

As well as making claims more expensive, these trends also affected the reserving on claims from previous years as estimates were moved upwards to reflect the uncertainty in many areas of the market.

Impacts of recession

However, the rapid and significant shift in economic circumstances has worked both for and against us. For example, loss of hire claims tended to become more expensive as owners were not in such a hurry to complete repairs and get vessels back in business. However, this lack of urgency also worked in our favour, causing a noticeable fall in navigation-related claims. In addition, we were helped by the fact that there was a reduction in pressure on crewing, as older ships were phased out and newbuildings cancelled.

While frequency was dropping, the cost of claims also started falling in the second half of the year as the economic slowdown brought lower commodity prices and increased yard availability. Steel prices halved and more repair yards started getting back into business, so cost inflation came back under control. By the end of the year, the only area still seeing a tightness of supply was spare parts, caused by delivery issues as some factories laid off workers, reduced production and ran down stocks.

Client service focus pays off

One of the major trends we saw during the year was the increase in the number of vessels for which we have the claims' lead. This rose from 2,186 in 2005 to 3,499 in 2008 – up nearly 60%. There is no doubt that this was a reflection of the service that we provide to our clients over the long term.

ENERGY

Overall, 2008 was a very benign year for energy and marine builders' risks claims at Gard. In a continuance of the trend from the year before, we saw few claims – and those that we did see tended to be at the less serious end of the spectrum.

The common theme in the claims we did see appeared to be corrosion – either in pipelines or in tanks – caused by microbacterial erosion. In addition, a number of issues came to light caused by design shortcomings or sub-standard construction or conversion of FPSOs and mobile drilling units, so we also kept a watchful eye over developments there.

Avoiding hurricane exposure

We are very pleased that we have no major hurricane-related incidents to record for the 2008 policy year, despite the relatively active hurricane season and the widespread damage – and high claims costs – resulting from Hurricane Ike.

Thankfully, in terms of future exposures, the re-balancing of our energy portfolio means that the only assets we cover in high-risk areas are mobile units that can be evacuated quickly to a safe distance.

Exceptions to the rule

Despite there being a very positive claims picture overall, as always there were some exceptions. We did see the first significant loss for several years in marine builders' risks when an offshore vessel broke its tow and grounded in bad weather. In terms of energy, the causes of the few losses were more varied.

However, one common theme appears to be corrosion – either undersea or in tanks caused by micro bacterial invasion. We are also keeping a watchful eye on developments on FPSOs and mobile drilling units, where there have been a number of incidents which suggest that there might be some issues caused by design shortcomings or sub-standard construction or conversion of these units.

Sharing best practices

Communicating with clients about the risks they face and how they can manage them is core to our purpose. To this end, we hold and participate in a number of events throughout the year that encourage the sharing of ideas and best practices. This policy year, in addition to the regular Lillehammer conference in February, we held our bi-annual offshore seminar in September, which was extremely well received.

“In P&I claims the year started with both rising frequency and severity but by the last quarter was well under budget.”

P&I

The P&I claims picture improved significantly during the 2008 policy year. While the beginning of the year saw both rising frequency and severity in P&I claims, an extremely good final quarter meant that we ended under budget overall.

Large claims

In the first half of the year there were a number of major incidents involving groundings and collisions. In the second half of the year, we had three constructive total losses, though fortunately these claims were resolved successfully without having to pay substantial amounts in respect of wreck removal. Further, there were no Pool claims reported by Gard in 2008.

The real increases were in the middle layers, where the average size of claim was much larger than usual, even though the number of claims increased only slightly. On a positive note, the large number of claims on previous years developed in line with expectations.

The causes of the large claims remain broadly the same – with around a third coming from collisions and groundings (usually due to human error), while the rest were a mixture of cargo, personal injury and third-party property. Seafarer fatigue continues to be a significant risk factor, with key people falling asleep at critical times.

Emerging issues

It is too early to tell how the economic downturn in the shipping industry might affect claims. It is generally thought that there is a correlation between levels of activity, in which case we should see the frequency of claims levelling off.

One of the biggest problems facing our Members during the second half of the year has been the rapid rise in piracy. In 2007 reported piracy incidents rose by 10% and the attacks off Somalia during the last year have brought it back into the spotlight. Like all Clubs, a few vessels entered with Gard have been victims of this trend, and despite governmental attempts to improve the situation it is difficult to predict how it will develop. Overall however, piracy has generated a large number of requests for information from our owners, and a number of complicated legal and insurance issues. As a result, Gard has gathered together on our website the latest information on piracy to assist Members and clients in understanding the potential risks in this area.

Expertise

We have welcomed a number of new members to the team to strengthen our capabilities, all of whom have relevant experience and qualifications from the maritime sector. Overall the Claims team now numbers over 160 across all time zones.

DEFENCE

The global credit crisis has generated a flood of disputes in the shipping industry which has resulted in a large increase in the number of Defence cases for our Members. Cancellation of contracts and bankruptcy are commonplace, hardly surprising when it is estimated that around 500 shipbuilding contracts have been cancelled the last year and the freight and commodity markets have collapsed. This negative trend is reflected in a change of the type of disputes arising, we have seen an explosion of Rule B applications in the USA and cases have generally not settled as quickly, or at all, as they would have a year ago.

Many of the disputes are complex with significant amounts at stake and are therefore expensive to run. We expect these high levels of activity to continue for some time. To meet this challenge, the Defence team has grown and been strengthened through recruitment in various offices to more than 20 lawyers and paralegals.

LOSS PREVENTION AND RISK ASSESSMENT

Our loss prevention services continued to be in high demand during the year. Circulars – covering topical subjects such as piracy – remained our most important product and we increased the number we produced during the 2008 policy year, in response to the claims' teams increased focus on loss prevention.

We regularly receive very positive feedback on these circulars from our clients. More and more of the shipowners we deal with are relying on them as their sole source of loss prevention information – and some have even implemented them as part of their safety management systems.

Client enquiries reached an all time here this year, largely due to the problem of piracy. On the other hand, the financial crisis has meant a fall in the number of other enquiries due to ships being laid up or slow steaming.

New safety product launch

In November, Gard launched a new loss prevention product: case studies for onboard safety meetings. These are case descriptions from our claims files which are distributed electronically to vessels entered with Gard on a monthly basis. They are intended for discussion during onboard briefings, and they come with a checklist for risk assessment.

A growing team

We inaugurated the new crisis room in Arendal at the beginning of August 2008. The room is part of our long-term crisis management strategy, and enables fast and accurate processing of information that will enhance decision-making under pressured conditions.

The increase in the size of our portfolio also generated a greater number of ship inspections during the year, and we increased the size of our team to meet the demand. During the summer, we recruited a surveyor and a new loss prevention executive, both of whom are based in Arendal and bring excellent capabilities to our team there.

AUDITOR'S REPORT

To Gard AS

We have audited the accompanying combined consolidated financial statements prepared from the consolidated accounts of Assuranceforeningen Gard – gjensidig – and the accounts of Gard P&I (Bermuda) Limited for the year ended February 20, 2009. We have also audited the consolidated accounts of Assuranceforeningen Gard – gjensidig – and the accounts of Gard P&I (Bermuda) Limited. The preparation and presentation of the combined financial statements is the responsibility of Gard AS. Our responsibility is to express an opinion on the combined consolidated financial statements.

We conducted our audit in accordance with International Standards of Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined consolidated financial statements present fairly, in all material respects, the financial position of the two Associations as of February 20, 2009 and their revenues and expenses for the year then ended, in accordance with the basis of accounting described in the notes to the combined consolidated financial statements.

Arendal, May 25, 2009

Ernst & Young AS
Jan Dønvik

GARD P&I AND M&E - COMBINED CONSOLIDATED INCOME AND EXPENDITURE ACCOUNTS

(All amounts are stated in USD 000's)

For the years to 20 February	Notes	"Parent company" Gard P&I		Gard M&E		Combined consolidated accounts		
		2009	2008	2009	2008	2009	2008	
Technical account - General business								
Income								
Premiums earned gross	2	398 196	351 336	340 616	313 014	738 812	664 350	
Estimated deferred calls on ETC basis	2	61 962	54 759	0	0	61 962	54 759	
Premiums earned gross		460 158	406 095	340 616	313 014	800 774	719 109	
Reinsurance premiums earned		(66 436)	(59 084)	(33 402)	(36 618)	(99 838)	(95 702)	
Premiums earned net	A	393 722	347 011	307 214	276 396	700 936	623 407	
Expenditure								
Claims costs net*	3,5	256 962	371 535	178 665	208 149	435 627	579 684	
Operating expenses net	5	42 818	36 394	65 526	61 887	108 344	98 281	
	B	299 780	407 929	244 191	270 036	543 971	677 965	
Balance on general business technical account	4	A-B=C	93 942	(60 918)	63 023	6 360	156 965	(54 558)
Non-technical account								
Investment income	6	(198 334)	101 279	(80 698)	42 438	(279 032)	143 717	
Exchange (loss)/gain		(678)	(330)	(6 953)	(8 704)	(7 631)	(9 034)	
Investment management expenses	5	(3 474)	(5 586)	(2 712)	(3 743)	(6 186)	(9 329)	
Taxation	7	(12 971)	(2 071)	(1 222)	(221)	(14 193)	(2 292)	
Balance on non-technical account	D	(215 457)	93 292	(91 585)	29 770	(307 042)	123 062	
Excess of expenditure over income	C+D=E	(121 515)	32 374	(28 562)	36 130	(150 077)	68 504	
General contingency reserve at beginning of period	F	515 615	483 241	64 870	28 740	580 485	511 981	
General contingency reserve at end of period	E+F=G	394 100	515 615	36 308	64 870	430 408	580 485	
Combined Ratio Net (CRN) on ETC basis		76%	118%	79%	98%	78%	109%	

* Claims handling costs' share of Operating expenses net is included in Claims costs net.

GARD P&I AND M&E - COMBINED CONSOLIDATED BALANCE SHEET

(All amounts are stated in USD 000's)

For the years to 20 February	Notes	"Parent company" Gard P&I		Gard M&E		Combined Consolidated accounts	
		As at 2009	As at 2008	As at 2009	As at 2008	As at 2009	As at 2008
Assets							
Intangible assets	7	15 262	28 768	0	0	15 262	28 768
Goodwill	7	0	0	0	3 930	0	3 930
Investments	8,14	483 712	788 653	420 435	538 362	904 147	1 327 015
Due from Members		4 595	6 812	136 436	162 432	141 031	169 244
Due from reinsurers		5 708	0	0	0	5 708	0
Accrued deferred call	9	61 962	54 759	0	0	61 962	54 759
Sundry debtors	10	21 228	33 637	21 021	0	40 775	29 553
Investments in subsidiary	11	190 000	190 000	0	0	0	0
Real property and fixed assets	12	31 946	35 294	0	0	31 946	35 294
Bank balances		330 810	183 224	112 882	75 513	438 828	258 737
Accrued income		7 867	6 551	19 247	18 866	27 114	23 400
Total Assets		1 153 090	1 327 698	710 021	799 103	1 666 773	1 930 700
Liabilities							
Owner's equity							
Shares				190 000	190 000		
Profit and loss account				36 308	64 870		
Total equity				226 308	254 870		
Technical reserves							
Unearned premium reserve for own account		0	0	147 639	154 607	147 639	154 607
Provision for outstanding and unreported claims		698 776	720 787	321 387	379 819	1 020 163	1 100 606
General contingency reserve		394 100	515 615	0	0	430 408	580 485
Balance available for outstanding and unreported claims		1 092 876	1 236 402	469 026	534 426	1 598 210	1 835 698
Bank overdraft		0	5 419	0	0	0	5 419
Sundry creditors	13	60 214	85 877	14 687	9 807	68 563	89 583
Total Equity and Liabilities		1 153 090	1 327 698	710 021	799 103	1 666 773	1 930 700

RECONCILIATION OF EXCESS OF EXPENDITURE OVER INCOME FROM NET CASH FLOW FROM OPERATING ACTIVITIES

(All amounts are stated in USD 000's)

For the years to 20 February	"Parent Company" – P&I		Gard M&E		Consolidated accounts	
	2009	2008	2009	2008	2009	2008
Excess of expenditure over income before taxation	(108 544)	34 445	(27 340)	36 351	(135 884)	70 796
Depreciation of tangible and intangible assets	2 497	3 039	3 930	4 193	6 427	7 232
(Increase)/Decrease in accrued deferred call	(7 203)	(17 133)			(7 203)	(17 133)
Decrease/(Increase) in debtors	8 918	(29 380)	4 975	(43 268)	13 893	(72 648)
(Increase)/Decrease in accrued income	(1 316)	9 251	(381)	(2 559)	(1 697)	6 692
(Decrease)/Increase in technical provisions	(22 011)	88 774	(65 400)	40 632	(87 411)	129 406
(Decrease)/Increase in creditors	(25 663)	(6 357)	4 880	3 664	(20 783)	(2 693)
Net cash flow from operating activities	(153 322)	82 639	(79 336)	39 013	(232 658)	121 652
Cash flow statement						
Net cash flow from operating activities	(153 322)	82 639	(79 336)	39 013	(232 658)	121 652
Taxation paid	(542)	(1 681)	(1 222)	(221)	(1 764)	(1 902)
	(153 864)	80 958	(80 558)	38 792	(234 422)	119 750
Cash flows were invested as follows:						
Increase/(Decrease) in cash holding	153 005	83 880	37 369	32 129	190 374	116 009
(Decrease)/Increase in portfolio investments	(304 941)	(16 402)	(117 927)	6 663	(422 868)	(9 739)
(Decrease)/Increase in real property, fixed and intangible assets	(1 928)	13 480	0	0	(1 928)	13 480
	(153 864)	80 958	(80 558)	38 792	(234 422)	119 750

NOTES TO THE COMBINED CONSOLIDATED ACCOUNTS

Note 1 – Accounting policies

(I) Basis of preparation of the Accounts

The accounts of the "parent company" presented here combine the consolidated accounts of Assuranceforeningen Gard ("the Association"), prepared in US dollars, with the accounts of Gard P&I (Bermuda) Limited ("the Bermuda Association"). In combining the accounts the same conventions have been observed as would have been adopted in preparing consolidated accounts for the two entities were the two Associations under common ownership. These accounts have no formal legal standing, but they aim to provide an easily assimilated summary of the combined financial position of the Associations.

(II) Consolidated accounts

The Associations' consolidated accounts incorporate the accounts of the wholly owned:

- Subsidiary A/S Assuransgård, owner of properties
- Subsidiary Gard AS, the Management Company for the Association
- Subsidiary Lingard Ltd, the Management Company for the Bermuda Association and Gard Marine & Energy Ltd.
- Subsidiary Safeguard Guarantee Company Ltd., provides Bunker Convention Guarantee Insurance
- Subsidiary Hydra (Gard Cell), a reinsurance company established by the parties to the International Group of P&I Clubs' Pooling Agreement pursuant to the Bermudan Segregated Accounts Companies Act 2000 as amended for the purpose of reinsuring certain layers of risks retained by the insurers being parties to the said Pooling Agreement.

The Association's 15.8 per cent of the shares in Gard Marine & Energy Ltd. ("Gard M&E") was bought by the Bermuda Association 9 February 2009 and the Bermuda Association owns 100 per cent of the shares after the purchase. In the combined consolidated accounts Gard M&E is consolidated as a wholly owned subsidiary by the Bermuda Association.

For preparation of the consolidated accounts the "parent company's" shares in the subsidiaries are being replaced with the assets and liabilities of the subsidiaries. Internal transactions between the consolidating companies including any unrealised gain and intercompany receivables and liabilities are eliminated as a result of the consolidation.

(III) Closing of policy years

In determining the appropriate deferred/supplementary call with which to close an open policy year the Association takes into account the results for that year and all prior years.

The Associations consider it necessary to maintain an adequate general contingency reserve to meet regulatory requirements and unanticipated demands on the Associations' funds.

(IV) Portfolio investments

Portfolio investments are reported at market value and reported investment income takes into account unrealised gains and losses.

(V) Financial derivatives

Financial derivatives are integrated components in the investment philosophies and processes of the fund management organisations employed by the Associations. They are used only for risk management, liquidity improvement, cost reduction and to optimize return within the guidelines set for the Associations' fund management. These uses contribute to reducing the risk of the assets not being able to cover the Associations' liabilities.

(VI) Currencies other than US dollars

Assets and liabilities, including derivatives denominated in currencies other than USD, are translated into USD at rates of exchange prevailing at the balance sheet date. Investments are stated at market value in the currency in which they are denominated and translated into USD at rates of exchange prevailing at the balance sheet date. Revenue transactions in currencies other than USD are translated into USD at daily standard exchange rates. For consolidation purposes revenue transactions in the Accounts of the subsidiary companies are translated into USD at the rate of exchange prevailing at the balance sheet date.

Exchange rates used for currencies in which the Associations held material positions are:

As at 20 February		2009 USD 1 equals	2008 USD 1 equals
BRL	Brazilian Real	2.3913	1.7353
CNY	Chinese Yuan Renminbi	6.8372	7.1436
EUR	Euro Currency Unit	0.7927	0.6827
GBP	Pound Sterling	0.6981	0.5153
HKD	Hong Kong Dollar	7.7543	7.8011
JPY	Japanese Yen	94.1600	108.0350
NOK	Norwegian Krone	6.8998	5.3893
SGD	Singapore Dollar	1.5373	1.4105

(VII) Basis of accounting

All items of income and expenditure are accounted for on an accrual basis and reflect any adjustments relating to earlier years. Deferred/supplementary calls are brought into account when charged to Members except that the deferred call approved by the Committee at their meeting in May for the policy year just ended is brought into account in the financial year ending on the same date as the policy year.

In premiums earned gross are those deferred calls recognised on Estimated Total Call basis (ETC basis). The difference between ETC and proposed deferred call is presented as reduction in estimated deferred call.

(VIII) Technical reserves

The Provision for unearned premium comprises of the unearned portion of premiums relating to the period after the end of the financial year.

The Provision for outstanding and unreported claims comprises an estimate of the expected exposure which has been placed on (i) claims that have been reported to the Association and (ii) claims that have been incurred but not reported ("IBNRs"). The estimate of IBNR claims is calculated on a basis approved by the internal claims accrual committee and then by management. Both sets of estimates include the Association's own claims and its share of claims under the International Group's Pooling arrangement.

The general contingency reserve is retained to meet;

(i) losses which may fall outside the Association's reinsurance programme; for example failure of a "first class" bank or hull insurer to honour a collision guarantee; (ii) unforeseen fluctuations in the Association's claims exposure and; (iii) a possible catastrophe claim. The Association is liable for its proportionate share of an overspill claim regardless of whether the claim originates from an entered vessel or from a vessel insured on a mutual basis by any of the other Associations comprising the International Group of P&I Associations.

(IX) Related party disclosure

No single transaction, or series of transactions, with related parties (including the Members of the Associations) is of such materiality and nature as to require disclosure.

(X) Designated reserves

Given the level of Pool retentions and the participation of the International Group in the General excess loss reinsurance contract, all parties to the Pooling Agreement have entered into arrangements, under an agreement dated 20 February 1996, to provide security by way of letters of credit or security bonds to other Pooling members to cover a significant proportion of their potential liabilities under the Pooling Agreement. Such letters of credit/security bonds can only be drawn upon in the event that an Association fails to meet a call upon it in relation to its obligations under the Pooling Agreement. The Association currently has a contingent liability under a bank guarantee in the amount of USD 29.4 million relating to its participation in this arrangement. The bank guarantee does not constitute a formal charge on the assets of the Association as no counter security has been required.

(XI) Fixed assets, goodwill and depreciation

Fixed assets and goodwill are stated at historical cost after depreciation. The depreciation rate is calculated on the basis of historical cost and the estimated economical lifetime of the asset.

(XII) Taxation and deferred tax assets

Taxation in the income and expenditure accounts comprise tax paid and changes in deferred tax. Deferred tax asset is included in intangible assets in the balance sheet, and is mainly derived from deferred tax benefits arising from the Norwegian operation. Deferred tax benefit has been recognised in the balance sheet as it is deemed probably that the tax benefit can be utilized.

NOTE 2 – Premiums earned gross on ETC basis

(All amounts are stated in USD 000's)

For the years to 20 February	"Parent company" – P&I		Gard M&E		Consolidated accounts		
	2009	2008	2009	2008	2009	2008	
Mutual premiums							
Owners' entries							
Premiums	259 233	227 450	0	0	259 233	227 450	
Additional calls	3 050	2 254	0	0	3 050	2 254	
Estimated deferred call	59 556	52 759	0	0	59 556	52 759	
Defence entries							
Premiums	10 836	8 195	0	0	10 836	8 195	
Additional calls	211	107	0	0	211	107	
Estimated deferred call	2 406	2 000	0	0	2 406	2 000	
	A	335 292	292 765	0	0	335 292	292 765
Fixed premiums							
Mobile offshore unit entries	47 433	37 696	0	0	47 433	37 696	
Charterers' entries	63 295	63 725	0	0	63 295	63 725	
US oil pollution premiums	7 266	5 458	0	0	7 266	5 458	
Defence entries	6 872	6 451	0	0	6 872	6 451	
Marine	0	0	240 066	210 644	240 066	210 644	
Energy	0	0	100 550	102 370	100 550	102 370	
	B	124 866	113 330	340 616	313 014	465 482	426 344
Total on ETC basis	A+B	460 158	406 095	340 616	313 014	800 774	719 109

NOTE 3 – Claims costs net*

(All amounts are stated in USD 000's)

For the years to 20 February	"Parent Company" – P&I		Gard M&E		Consolidated accounts		
	2009	2008	2009	2008	2009	2008	
Claims paid gross							
Claims	270 309	297 913	262 462	227 306	532 771	525 219	
Other Clubs' Pool claims	21 431	39 295	0	0	21 431	39 295	
	A	291 740	337 208	262 462	227 306	554 202	564 514
Reinsurers' share							
From the Pool	8 435	42 344	0	0	8 435	42 344	
Market underwriters	1 405	8 920	35 726	46 582	37 131	55 502	
Other P&I Associations	2 927	3 183	0	0	2 927	3 183	
	B	12 767	54 447	35 726	46 582	48 493	101 029
Claims paid net	A-B=C	278 973	282 761	226 736	180 724	505 709	463 485
Change in provision for gross claims							
Provision carried forward	682 217	664 089	389 613	487 807	1 071 830	1 151 896	
Provision carried forward – Other Clubs' Pool Claims	102 217	94 673	0	0	102 217	94 673	
Provision brought forward	(664 089)	(576 888)	(487 807)	(491 073)	(1 151 896)	(1 067 961)	
Provision brought forward – Other Clubs' Pool Claims	(94 673)	(97 383)	0	0	(94 673)	(97 383)	
	D	25 672	84 491	(98 194)	(3 266)	(72 522)	81 225
Less movement in provision for reinsurers' share							
Provision carried forward	(85 659)	(64 003)	(68 226)	(107 988)	(153 885)	(171 991)	
Provision brought forward	64 003	65 897	107 988	146 416	171 991	212 313	
	E	(21 656)	1 894	39 762	38 428	18 106	40 322
Change in provision for claims management costs	F	(26 027)	2 389	0	0	(26 027)	2 389
Currency valuation – Reserves	G	0	0	10 361	(7 737)	10 361	0
Changes in claims provision net	D+E+F+G=H	(22 011)	88 774	(48 071)	27 425	(70 082)	123 936
Claims costs net*	C+H	256 962	371 535	178 665	208 149	435 627	579 684

* Claims handling costs' share of Operating expenses net is included in Claims costs net.

NOTE 4 – Balance on general business technical account on lines of business

(All amounts are stated in USD 000's)

For the years to 20 February		2009	P&I 2008	2009	Marine 2008	2009	Energy 2008
Premiums written gross on ETC basis		460 158	406 095	229 821	223 344	105 805	91 621
Premiums earned gross on ETC basis		460 158	406 095	240 066	210 645	100 550	102 370
Premiums earned net	A	393 722	347 011	221 372	190 248	87 642	87 883
Claims incurred net		231 292	338 284	150 165	164 596	23 914	38 894
Claims handling costs *		25 670	33 251	2 858	3 073	1 728	1 586
Claims costs net	B	256 962	371 535	153 023	167 669	25 642	40 480
Administrative expenses		24 271	22 799	20 125	22 487	10 574	8 225
Commission earned net		18 547	13 595	18 586	16 040	12 310	11 118
Operating expenses net - excl. claims handling costs	C	42 818	36 394	38 711	38 527	22 884	19 343
Balance on general business technical account**	A-B-C	93 942	(60 918)	29 638	(15 948)	39 116	28 060
Claims ratio net on ETC basis		65%	107%	69%	88%	29%	46%
Expense ratio net on ETC basis		11%	10%	17%	20%	26%	22%
Combined ratio net on ETC basis		76%	118%	87%	108%	55%	68%

* Claims handling costs' share of net operating expenses is included in claims costs net.

**Depreciation on goodwill USD 3.9 million and clash cover USD 1.8 million are not allocated to business areas Marine & Energy.

NOTE 5 – Operating expenses

(All amounts are stated in USD 000's)

For the years to 20 February	"Parent Company" – P&I		Gard M&E		Consolidated accounts	
	2009	2008	2009	2008	2009	2008
Administrative expenses	24 271	22 799	34 630	34 902	58 901	57 701
Commission earned net	18 547	13 595	30 896	26 985	49 443	40 580
Operating expenses net	42 818	36 394	65 526	61 887	108 344	98 281
Claims handling costs	25 670	33 251	4 586	4 659	30 256	37 910
Investment management expenses	3 474	5 586	2 712	3 743	6 186	9 329
Operating expenses total	71 962	75 231	72 824	70 289	144 786	145 520
Operating expenses include:						
Wages and salaries	33 774	38 912	0	0	33 774	38 912
Social security costs	5 520	6 434	0	0	5 520	6 434
Remuneration of Committee and Executive Committee	682	643	0	0	682	643
Pension contributions	8 080	11 754	0	0	8 080	11 754
Auditors' fees – audit services	214	214	79	96	293	310
Auditors' fees – non audit services	73	73	2	20	75	93
Depreciation	2 497	2 840	3 930	4 192	6 427	7 032

Average Expense Ratio (AER) – P&I

In accordance with Schedule 3 of the International Group Agreement 1999 the Association is required to disclose the AER for the Association's P&I business for the five years ended 20 February 2009. The Ratio of 11.4 per cent (7.9 last year) has been calculated in accordance with the Schedule and the guidelines issued by the International Group and is consistent with the relevant Financial Statements.

The five year AER for the Association's P&I business expresses the operating costs on a combined consolidated basis as a percentage of the relevant premiums and investment income earned. Operating costs of the P&I business exclude all claims handling costs. Investment income earned is stated after deducting all investment management costs. Internal claims handling and internal investment management costs so deducted include a reasonable allocation of general overhead expenses.

NOTE 6 – Investment income

(All amounts are stated in USD 000's)

For the years to 20 February	"Parent Company" – P&I		Gard M&E		Consolidated accounts	
	2009	2008	2009	2008	2009	2008
Interest earned	13 754	6 996	17 059	12 403	30 813	19 399
Dividends	12 543	11 102	5 116	5 812	17 659	16 914
Profits less losses on realisation of investments	(64 607)	98 030	(30 592)	83 150	(95 199)	181 180
Change in difference between cost and market value of investments	(160 024)	(14 849)	(72 281)	(58 927)	(232 305)	(73 776)
Total	(198 334)	101 279	(80 698)	42 438	(279 032)	143 717

Profits less losses on realisation of investments reflect the difference between cost and sale price in the currency of investment.

NOTE 7 – Goodwill, intangible fixed assets and deferred tax benefit

(All amounts are stated in USD 000's)

	"Parent Company" – P&I 2008	Gard M&E 2008	Consolidated accounts 2008
Specification of goodwill			
Cost as at 20 February 2008	0	3 930	3 930
Change in cost due to exchange rates	0	0	0
Accumulated depreciation and write down	0	0	0
Change in depreciation due to exchange rates	0	0	0
Charge for the year	0	3 930	3 930
Net book value as at 20 February 2009	0	0	0

	"Parent Company" – P&I 2008	Gard M&E 2008	Consolidated accounts 2008
Specification of intangible fixed assets			
Cost as at 20 February 2008	23 041	0	23 041
Change in cost due to exchange rates	(2 883)	0	(2 883)
Net purchases in the year	1 971	0	1 971
Cost as at 20 February 2009	22 129	0	22 129
Accumulated depreciation and write down as at 20 February 2008	11 541	0	11 541
Change in depreciation due to exchange rates	(1 332)	0	(1 332)
Charge for the year	260	0	260
Accumulated depreciation and write down as at 20 February 2009	10 469	0	10 469
Net book value as at 20 February 2009	11 660	0	11 660

The company applies a linear depreciation plan of 5 years.

	"Parent Company" – P&I 2008	Gard M&E 2008	Consolidated accounts 2008
Deferred tax benefit			
Opening Balance as at 21 February 2008	16 031	0	16 031
Change in the period	(12 429)	0	(12 429)
Closing Balance as at 20 February 2009	3 602	0	3 602
Taxation expenses			
Income taxes payable	(542)	(1 222)	(1 764)
Changes in deferred tax benefit	(12 429)	0	(12 429)
Taxation expenses	(12 971)	(1 222)	(14 193)

NOTE 8 – Investments

(All amounts are stated in USD 000's)

As at 20 February	"Parent Company" – P&I		Gard M&E		Consolidated accounts		
	2009	2008	2009	2008	2009	2008	
Portfolio investments							
Net equities at market value	211 493	245 394	97 267	162 335	308 760	407 729	
Net bonds at market value	257 309	456 510	304 080	361 150	561 389	817 660	
Hedge fund	8 459	74 657	0	0	8 459	74 657	
	A	477 261	776 561	401 347	523 485	878 608	1 300 046
Other investments							
Property mortgages	18 744	20 833	0	0	18 744	20 833	
Miscellaneous investments	3 547	3 259	19 088	14 877	22 635	18 136	
Loan from Meryll Lynch (margin account)	(15 840)	(12 000)	0	0	(15 840)	(12 000)	
	B	6 451	12 092	19 088	14 877	25 539	26 969
Total	A + B	483 712	788 653	420 435	538 362	904 147	1 327 015

NOTE 9 – Accrued deferred call – "Parent company" – P&I

The Committee has decided to levy a 25 per cent deferred call in respect of the 2008 policy year, payable in 2009, in accordance with the original estimate for the year.

NOTE 10 – Sundry debtors

(All amounts are stated in USD 000's)

As at 20 February	"Parent Company" – P&I		Gard M&E		Consolidated accounts	
	2009	2008	2009	2008	2009	2008
Investment transactions in progress	15 523	12 556	18 747	0	34 270	12 556
Sundry debtors	5 705	21 081	2 274	0	6 505	16 997
Total	21 228	33 637	21 021	0	40 775	29 553

"Investment transactions in progress" refers to sales of investments at the balance sheet date, where settlements were executed after the balance sheet date.

NOTE 11 – Shares in subsidiary company

(All amounts are stated in USD 000's)

As at 20 February 2009	Ownership	Share capital	Cost price	Share of total equity	Share of profit
Gard Marine Et Energy Ltd.	100,0 %	USD 190,000	190 000	226 308	36 308
Total			190 000	226 308	36 308

The 15.8 per cent minority share owned by the Association was bought by the Bermuda Association in February 2009.

NOTE 12 – Real property and fixed assets

(All amounts are stated in USD 000's)

		2009 Real property and fixed assets	2008 Real property and fixed assets
Cost			
As at 20 February 2008		58 121	47 242
Currency (loss)/gain		(11 482)	5 509
Purchases in the year		5 279	5 422
Sales in the year		(3)	(52)
As at 20 February 2009	A	51 915	58 121
Depreciation			
As at 20 February 2008		22 827	18 649
Currency (gain)/loss		(4 839)	2 380
Depreciation on sold assets		(256)	(648)
Charge for the year		2 237	2 446
As at 20 February 2009	B	19 969	22 827
Net book value			
As at 20 February 2008		35 294	28 593
As at 20 February 2009	A-B=C	31 946	35 294

NOTE 13 – Sundry creditors

(All amounts are stated in USD 000's)

As at 20 February	"Parent Company" – P&I		Gard M&E		Consolidated accounts	
	2009	2008	2009	2008	2009	2008
Creditors : direct insurance	2 117	580	691	173	2 808	753
Creditors : reinsurance operations	5 641	0	0	0	5 641	0
Investment transactions in progress	0	3 033	0	2 370	0	5 403
Accrued taxes	460	334	644	0	1 104	334
Pension liabilities	14 751	22 553	0	0	14 751	22 553
Sundry creditors	18 518	32 648	13 070	4 127	25 250	30 674
Mortgages	9 384	12 664	0	0	9 384	12 664
Deferred income	0	442	0	0	0	442
Accrued expenses	9 343	13 623	282	3 137	9 625	16 760
Total	60 214	85 877	14 687	9 807	68 563	89 583

"Investment transactions in progress" refers to net purchases of investments at the balance sheet date, where settlements were executed after the balance sheet date.

Note 14 – Financial investments by currencies

"Parent company" – P&I

(All amounts are stated in 000's)

Currency	Net assets	Forward exchange contracts	Net exposure in currency	USD
USD	272 090	(30 612)	241 478	241 712
EUR	62 039	0	62 039	78 266
CNY	0	457 739	457 739	65 458
SGD	5 044	68 869	73 912	50 035
JPY	819 980	(29 956)	790 024	8 393
HKD	102 172	(48 901)	53 271	6 867
KRW	7 925 023	0	7 925 023	5 262
GBP	30 123	(27 023)	3 100	3 498
BRL	7 526	23	7 549	3 233
TWD	96 622	403	97 025	2 788
SEK	23 404	0	23 404	2 644
AUD	30 204	(25 528)	4 676	2 522
CHF	22 204	(19 250)	2 954	2 315
NOK	15 033	0	15 033	2 179
ZAR	16 523	(840)	15 683	1 534
THB	52 366	0	52 366	1 465
ILS	5 584	0	5 584	1 341
INR	53 191	(5)	53 186	1 069
IDR	7 028 840	0	7 028 840	588
TRY	874	0	874	511
CAD	504	130	634	503
DKK	17 594	(14 360)	3 234	426
MXN	4 786	0	4 786	319
PHP	12 293	0	12 293	255
EGP	1 085	0	1 085	194
MYR	0	605	605	171
CZK	1 763	1 329	3 092	136
CLP	0	12 582	12 582	19
PLN	35	(24)	11	7
Total financial liquid assets				483 712

Consolidated accounts

(All amounts are stated in 000's)

Currency	Net assets	Forward exchange contracts	Net exposure in currency	USD
USD	557 209	(25 704)	531 505	531 739
EUR	81 598	(3 067)	78 532	99 239
CNY	0	464 893	464 893	66 552
NOK	16 807	346 300	363 107	52 447
SGD	5 868	69 154	75 022	50 768
JPY	7 132 619	(4 018 818)	3 113 801	31 315
HKD	155 076	(47 564)	107 512	13 862
BRL	16 905	132	17 037	7 300
GBP	36 714	(31 472)	5 241	6 384
KRW	9 040 596	0	9 040 596	6 003
AUD	34 554	(24 846)	9 709	5 736
INR	253 643	(40)	253 603	5 099
TWD	138 031	2 993	141 024	4 057
CHF	23 981	(19 271)	4 710	3 806
ZAR	38 126	(840)	37 286	3 650
SEK	28 952	0	28 952	3 271
CAD	3 094	261	3 355	2 659
ILS	7 439	0	7 439	1 787
THB	54 073	0	54 073	1 512
TRY	2 505	0	2 505	1 465
IDR	14 949 469	0	14 949 469	1 250
MXN	18 473	0	18 473	1 232
EGP	4 384	0	4 384	786
CLP	336 611	93 500	430 111	684
DKK	35 782	(30 653)	5 130	637
CZK	8 110	1 329	9 439	414
PHP	12 293	0	12 293	255
MYR	0	605	605	171
PLN	127	(79)	47	47
NZD	42	0	42	21
Total financial liquid assets				904 147

GARD P&I POLICY YEAR ACCOUNTS

A. Development of open policy years

(All amounts are stated in USD 000's)

Policy year	2008	2007	2006	Total
Premiums and calls:				
Invoiced in prior years	0	346 075	298 441	
Invoiced in current year	393 395	0	0	
	393 395	346 075	298 441	
Additional calls debited	1 426	57 696	39 182	
Estimated deferred call	61 962	0	0	
Total premiums and deferred calls	456 783	403 771	337 623	
Reinsurance premiums	(62 876)	(64 250)	(55 694)	
A	393 907	339 521	281 929	
Incurred claims net:				
Claims paid	59 468	133 749	183 397	
Estimates on outstanding claims	134 258	117 355	116 976	
IBNRs	110 298	36 991	25 252	
	304 024	288 095	325 625	
Operating expenses	81 459	71 716	44 104	
B	385 483	359 811	369 729	
Investment income	C	(202 486)	95 363	92 232
Deficit on open policy years	A-B+C=D	(194 062)	75 073	4 432 (114 557)
Closed policy years:				
Surplus in respect of 2004 and prior years as at 20 February 2008				432 201
Transfer on closure of 2005 policy year				27 771
Changes to policy years prior to 2005				48 685
General contingency reserve as at 20 February 2009				394 100

GARD P&I

B. Analysis of balance available for outstanding and unreported claims for open and closed policy years

(All amounts are stated in USD 000's)

Policy year	2008	2007	2006	Closed years	Total
Gross estimated outstanding and unreported claims:					
Own claims	204 038	122 255	176 246	140 714	643 253
Pool claims	43 050	39 223	29 716	29 192	141 181
Estimated reinsurance recoveries due from:					
The Pool	2 533	7 129	49 589	25 201	84 452
The Group excess loss reinsurance contract	0	0	0	(15 105)	(15 105)
Others	0	2	14 145	2 164	16 311
Net estimated outstanding and unreported claims	244 555	154 347	142 228	157 646	698 776
General contingency reserve	(194 062)	75 073	4 432	508 657	394 100
Balance available for outstanding and unreported claims as at 20 February 2009	50 493	229 420	146 660	666 303	1 092 876

GARD P&I NOTES TO THE POLICY YEAR ACCOUNTS

1. Premiums, supplementary calls, reinsurances and claims are credited/charged to the policy year to which they relate. Operating expenses and investment income are charged/credited to the same policy year as the financial year in which they are brought to account.
2. The annual accounts include the 25 per cent deferred call levied for the 2008 policy year. The original estimate for the year was set to 25 per cent.
3. The approximate yield of a 10 per cent supplementary call on the open policy years would be:

2006 policy year	USD 18.0 million
2007 policy year	USD 21.0 million
2008 policy year	USD 24.0 million
4. "Incurred claims net" comprises claims paid (net of reinsurance recoveries), together with contributions to other P&I Associations under the Group Pooling arrangement and net estimates for outstanding and unreported claims.

Estimates on outstanding claims refer to those incidents which have been notified to the Association and on which estimates of the expected exposure have been placed. Incurred but not reported claims ("IBNRs") have been calculated on a basis approved by the Association's consulting actuaries.

Due to the characteristics of P&I claims, both sets of estimates, in particular in respect of the more recent years, may change substantially.

5. Provision for outstanding and unreported claims for closed years, USD 169.6 million, consists of estimated outstanding claims in the amount of USD 135.1 million and estimates for IBNR claims of USD 22.5 million.

MEMBERS OF BOARDS AND COMMITTEES IN THE GARD GROUP, JUNE 2009

Gard P. & I. (Bermuda) Ltd.

BOARD OF DIRECTORS

Stephen Pan, *Chairman*

World-Wide Shipping Agency Limited, Hong Kong

Alain Bernard, *Deputy Chairman*

Olympic Shipping & Management S.A., Greece

Basil A Abul-hamayel

Saudi Aramco, Saudi Arabia

Ian Beveridge

Bernhard Schulte GmbH & Co. KG, Germany

Robert Gerald Buchanan

Genco Shipping & Trading Ltd., USA

K C Chang

Evergreen Marine Corp. (Taiwan) Ltd., Taiwan

Trond Eilertsen

Norway

Axel C Eitzen

Camillo Eitzen & Co ASA, Norway

Timothy C Faries, *Vice President*

Bermuda

Rafael Ferrada

Compania Sud Americana de Vapores S.A., Chile

Nicolas Frangistas

Franco Compania Naviera S.A., Greece

Sir David Gibbons

Bermuda

Hannu Haapanen

Neste Oil OY, Finland

Herbjørn Hansson

Nordic American Tanker Shipping Ltd., Bermuda

Bengt Hermelin

Samco Shipholding Pte. Ltd., Singapore

Morten Høegh

Leif Hoegh & Co AS, UK

Kenneth Hvid

Teekay Norway AS, Norway

Hans Peter Jebsen

Kristian Gerhard Jebsen Skipsrederi AS, Norway

Robert E Johnston

OSG Ship Management, Inc., USA

Tom Erik Klaveness

The Torvald Klaveness Group, Norway

George Kynigos

Agelef Shipping Co. (London) Ltd., UK

Jan Lissow

Interorient Navigation Co. Ltd., Cyprus

Sergio Machado

Petroleo Brasileiro S.A.-Petrobras, Brazil

Takeshi Matsui

The Sanko Steamship Co. Ltd., Japan

Magne Morken

Solvang ASA, Norway

Tadeusz Niszczota

Polish Steamship Company, Poland

***Nicolas Pateras**

Pacific & Atlantic Corporation, (Piraeus), UK

****Patrick Rodgers**

Euronav (UK) Agencies Limited London, UK

Michael Say

Aug. Bolten Wm Milleris Nachfolger (GmbH & Co) KG, Germany

Ingar Skaug

Wilh. Wilhelmsen ASA, Norway

Jane Sy

Stolt-Nielsen Transportation Group Ltd., The Netherlands

Kazuya Uchida

Meiji Shipping Co., Ltd., Japan

Hans Ivar Vigen

JJ Uglund Companies, Norway

Yew Hor Weng

AET Tankers Pte. Limited, Malaysia

Claes Isacson, *President*

Lingard Limited, Bermuda

THE EXECUTIVE COMMITTEE

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Camillo Eitzen & Co ASA, Norway

Bengt Hermelin

Samco Shipholding Pte. Ltd., Singapore

Trond Eilertsen

Norway

Jan Lissow

Interorient Navigation Co. Ltd., Cyprus

Michael Say

Aug. Bolten Wm Milleris Nachfolger (GmbH & Co) KG, Germany

Claes Isacson, *President*

Lingard Limited, Bermuda

THE ELECTION COMMITTEE

Stephen Pan, *Chairman*

World-Wide Shipping Agency Limited, Hong Kong

Alain Bernard

Olympic Shipping & Management SA, Greece

Axel C. Eitzen

Camillo Eitzen & Co. ASA, Norway

Herbjørn Hansson

Nordic American Tanker Shipping Ltd, Bermuda

* Will retire at the Annual General Meeting of Gard P. & I. (Bermuda) Ltd in June, 2009.

** Up for election at the Annual General Meeting of Gard P. & I. (Bermuda) Ltd in June, 2009.

Gard Marine & Energy Ltd.

BOARD OF DIRECTORS

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Samco Shipholding Pte. Ltd., Singapore

Trond Eilertsen
Norway

Timothy C Faries, *Vice President*
Bermuda

Claes Isacson, *President*
Lingard Limited, Bermuda

Lingard Limited

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World-Wide Shipping Agency Limited, Hong Kong

Claes Isacson, *President*
Lingard Limited, Bermuda

Timothy C. Faries, *Vice President*
Bermuda

Graham W. Everard, *Managing Director*
Lingard Limited, Bermuda

Assuranceforeningen Gard – gjensidig

BOARD OF DIRECTORS

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Bengt Hermelin, *Deputy Chairman*
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Trond Eilertsen
Norway

Jan Lissow
Interorient Navigation Co. Ltd., Cyprus

Michael Say
Aug. Bolten Wm Milleris Nachfolger (GmbH & Co) KG, Germany

Claes Isacson, *Managing Director*
Gard AS, Norway

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Camillo Eitzen & Co ASA, Norway

Bengt Hermelin, *Deputy Chairman*
Samco Shipholding Pte. Ltd., Singapore

Alain Bernard
Olympic Shipping & Management SA, Greece

Herbjørn Hansson
Nordic American Tanker Shipping Ltd., Bermuda

THE SUPERVISORY COMMITTEE

Stephen Knudtzon, *Chairman*
Thommesen Krefting Greve Lund AS, Norway

Helge Aamodt
Bergshav Management AS, Norway

Claus Mørch
Anders Wilhelmsen & Co. AS, Norway

Arne Falkanger Thorsen
Bergesen Worldwide Gas ASA, Norway

Gard AS

BOARD OF DIRECTORS

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Camillo Eitzen & Co ASA, Norway

Bengt Hermelin, *Deputy Chairman*
Samco Shipholding Pte. Ltd., Singapore

Trond Eilertsen
Norway

Claes Isacson, *Managing Director*
Gard AS, Norway

Andreas Brachel, *employee representative*
Arendal

Reidar Ebbesvik, *employee representative*
Bergen

THE GARD GROUP MEETING DATES FOR COMMITTEES AND BOARDS 2008

Gard P. & I. (Bermuda) Limited

The Annual General Meeting

Wednesday 25 June 2008 Bermuda

Board of Directors

Monday 26 May 2008 Dublin

Monday 27 October 2008 Rome

Executive Committee

Tuesday 29 April 2008 Copenhagen

Saturday 24 May 2008 Dublin

Thursday 25 September 2008 Copenhagen

Saturday 25 October 2008 Rome

Thursday 29 January 2009 Copenhagen

Assuranceforeningen Gard

The Annual General Meeting

Friday 15 August 2008 Arendal

Board of Directors

Tuesday 29 April 2008 Copenhagen

Thursday 14 August 2008 Arendal

Thursday 25 September 2008 Copenhagen

Thursday 29 January 2009 Copenhagen

The Supervisory Committee

Wednesday 30 April 2008 Oslo

Friday 26 September 2008 Copenhagen

Gard Marine & Energy Limited

The Annual General Meeting

Wednesday 25 June 2008 Bermuda

The Board of Directors

Tuesday 29 April 2008 Copenhagen

Thursday 25 September 2008 Copenhagen

Thursday 29 January 2009 Copenhagen

Lingard Limited

The Annual General Meeting

Wednesday 25 June 2008 Bermuda

Board of Directors

Tuesday 29 April 2008 Copenhagen

Thursday 25 September 2008 Copenhagen

Thursday 29 January 2009 Copenhagen

Gard AS

The Annual General Meeting

Tuesday 29 April 2008 Arendal

Board of Directors

Tuesday 29 April 2008 Copenhagen

Thursday 14 August 2008 Arendal

Thursday 25 September 2008 Copenhagen

Thursday 29 January 2009 Copenhagen

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www.gard.no

This report, apart from the statement by the Chairman, has been prepared by Gard AS, managers of Assuranceforeningen Gard (the Association), from data and accounts provided by the Association and by its 'sister' company, Gard P&I (Bermuda) Limited (the Bermuda Association). The Bermuda Association's principal activity is as reinsurer of thirty per cent of the Association's retained risks. The report combines the activities of the two Associations in accordance with standard principles of consolidation. It has no formal legal significance, but is provided with the aim of giving Members an easily assimilated summary of the overall financial position of their P&I insurer. The report and accounts of the Association prepared in the Norwegian language have been filed with the relevant authorities, as required by Norwegian law. Those accounts, which are available to Members on request, will be submitted for approval to the Association's Annual General meeting in Arendal on 14 August 2009. The accounts of the Bermuda Association have already been approved in General Meeting.

