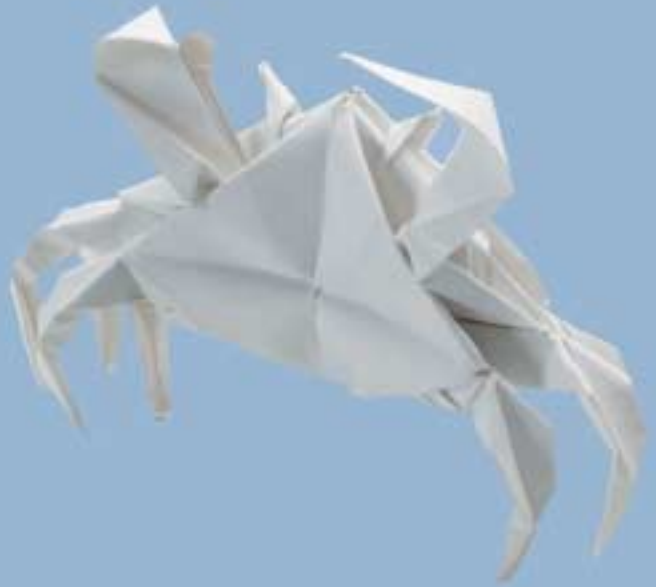


gardp&i



The Gard P&I Half Annual Report
20th August 2003

Committees and Board

NEW MEMBERS

At the Annual General Meeting, which took place on 15th August in Arendal, the following new members were elected to the various Committees:

The Committee

Trond Eilertsen,

Oslo

Jamal A Al-Rammah,

Saudi Arabian Oil Company, Dhahran

Peter Swift,

OSG Ship Management Inc., Newcastle

Ola Lorentzon,

Frontline Management AS, Oslo

The Executive Committee

Bengt Hermelin,

Saudi Maritime Holding Company

(SAMCO), London

The Election Committee

Stephen Pan,

World-Wide Shipping Agency (S) Pte.

Ltd., Singapore

RETIREMENTS

The following had notified the Association that they did not wish to stand for re-election:

The Committee

Christian Cigrang,

Cobelfret, Antwerp

Øystein Eskeland,

Oslo

Abdulaziz K Al-Hashimi,

Saudi Arabian Oil Company, Dhahran

Bengt Hermelin,

Saudi Maritime Holding Company

(SAMCO), London

Ariel Recanati,

OSG Ship Management, Inc., New York

The Executive Committee

Gunnar Brøvig,

Brøvigs Rederi AS, Farsund

Jane Hinkley,

London

Brynjulf Marcussen,

C.H. Sørensen & Sønner AS, Arendal

The Annual General meeting thanked all the retiring members for their valuable contribution and dedication shown to the Association during their terms of service.

Review of operations

POLICY YEARS

Closed years

Policy years up to and including the 1998 year progress somewhat better than projected at 20th February 2003. Upon closure of the 1999 policy year in October 2002, the surplus on all closed years, including 1999, stood at USD 300 million. The surplus was estimated at USD 314 million as at 20th August 2003.

Open years

The 2000 policy year

Reported claims were up approximately 40 per cent on the 1999 policy year, at 12 months from policy year inception. The claims level ended well above that of any previous year and was coupled with negligible investment income.

During the period 12 to 18 months into the policy year, there were signs that claims had been estimated too conservatively and that the year would improve. This trend has continued and the year is now expected to produce a smaller deficit than originally envisaged. The year was closed in October 2003 with no further supplementary call beyond the forecast 25 per cent already levied.

The 2001 policy year

The value of reported claims for this year 12 months from inception was 15 per cent below that reported for the 2000 policy year, but above the level for the years prior to 2000. The claims have developed somewhat better than expected during the period 12 to 30 months from inception.

Coupled with a negative investment income the year is expected to produce a deficit, even following the forecast supplementary call levied in September 2002. It is expected that the year will be closed in October 2004 without any further supplementary calls being levied.

The 2002 policy year

A 25 per cent supplementary call, as forecast, was levied in September 2003.

The value of reported claims for this year 12 months from inception was eight per cent above that reported for the 2001 policy year.

The first six months of the year witnessed a sharp reduction in claims when compared with the previous five years, apart from 1999. However, the period 12 to 18 months from inception saw a deterioration in the claims picture and the expected improvement in the claims figures following the end of the policy year has not materialised. The year is expected to produce a surplus following a positive investment income coupled with the forecast 25 per cent supplementary call levied in September 2003. It is expected the year can be closed in October 2005 with no further supplementary call being levied.



The 2003 policy year

During the renewal, the 15 per cent general premium increase for the year was achieved.

The first six months of the year have seen an increase in reported claims compared with any previous year, both in volume and in number. These increases must be viewed against a corresponding increase in tonnage and the number of ships entered, as well as a shift in the relative composition of tonnage towards dry cargo entries, all of which are reflected in a higher premium level. When adjusted for these factors, the claims development is within projections made.

As concerns the half-year figures for claims exceeding USD 2 million, it should

be noted that in 2003 there were four such claims with a total value of USD 10 million, which is believed to be within random variation parameters, whereas in 2002 there was an extraordinary absence of claims in this value band at half-year.

At this early stage of the year, it is difficult to predict with any degree of certainty the year's final outcome. In addition to uncertainties surrounding the claims picture, returns on investments continue to be unpredictable. Based on these assumptions, and with a full deferred call of 25 per cent, it is expected the 2003 policy year will end in a surplus.



Table A – Entered tonnage

| | 20th August 2003 | | 20th February 2003 | |
|------------------------------|------------------|----------------|--------------------|----------|
| | No. of vessels | gt (000) | No. of vessels | gt (000) |
| Owners' entries | | | | |
| Tankers | 660 | 26,693 | 645 | 26,077 |
| Others | 4,099 | 39,898 | 4,058 | 39,134 |
| | 4,759 | 66,591 | 4,703 | 65,211 |
| Charterers' entries | 1,136 | 42,456 | 1,129 | 40,223 |
| Mobile offshore units | 180 | 7,016 | 175 | 6,686 |
| Total | 6,075 | 116,063 | 6,007 | 112,120 |

TONNAGE

Again, the tonnage has shown a significant increase from 112.1 million gt as at 20th February 2003, to 116.1 million gt as at 20th August 2003.

Owners' entries, consisting of mutual and mobile offshore units increased from 71.9 million gt to 73.6 million gt. This represents an increase of 1.7 million gt during the period.

Charterers' entries had a growth of 2.2 million gt in the same period.

Table A above summarises the entered tonnage at the start and end of the period.

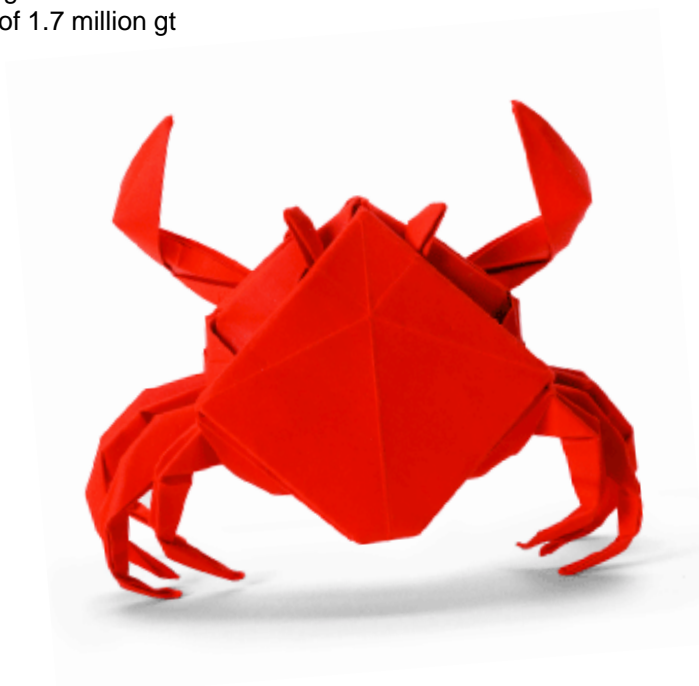


Table B - Portfolio allocation

Portfolio by currency



Portfolio by currency



FUNDS AND INVESTMENT RETURNS

The Association’s total assets net of current liabilities, with investments stated at market value, amount to USD 723 million, compared with USD 675 million as at 20th February 2003 and USD 649 million at the same time last year.

The general contingency reserve has increased to USD 276 million. This compares with USD 242 million at 20th February 2003 and USD 217 million at 20th August 2002. The improvement in the contingency reserve is the result of a substantial increase in premiums at renewal and a major increase in investment income, less a major increase in net claims incurred and an increase in net operating expenses.

Investment income net of management expenses were USD 38 million in the six months to 20th August 2003. This compares with a positive result of USD 38 million at 20th February 2003 and again a positive USD 13 million in the comparative half year. The positive investment income relates primarily to the increase in the market value of securities.

The allocation of the Association’s investment funds by currency and by instrument can be seen from Table B.

Accounts

Summary income and expenditure accounts

| All amounts in USD millions | Half year to 20.08.03 | Half year to 20.08.02 | Year to 20.02.03 |
|---------------------------------------|--------------------------|--------------------------|---------------------|
| Premiums and calls | 125 | 102 | 204 |
| Premiums and calls net of reinsurance | 97 | 78 | 153 |
| Net claims incurred | 85 | 57 | 117 |
| Net operating expenses | 16 | 12 | 27 |
| Result on technical account | (4) | 9 | 9 |
| Result on non-technical account*) | 38 | 13 | 38 |
| Surplus/(Deficit) | 34 | 22 | 47 |
| Estimated supplementary call included | 25% | 25% | 25% |

*) The non-technical account includes investment income, expenses of fund management and taxation.

Summary balance sheets

| All amounts in USD millions | As at 20.08.03 | As at 20.08.02 | As at 20.02.03 |
|---------------------------------------|-------------------|-------------------|-------------------|
| Investments at market value | 682 | 682 | 641 |
| Cash and equivalents | 27 | 34 | 14 |
| Other net (liabilities)/assets | 14 | (67) | 20 |
| Funds available to meet future claims | 723 | 649 | 675 |
| Provision for outstanding claims | 447 | 432 | 433 |
| General contingency reserve | 276 | 217 | 242 |



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