
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year to 20 February 2012
gard

EVERYTHING WE DO IS ABOUT MANAGING RISK AND ITS CONSEQUENCES...

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HIGHLIGHTS

Five year performance

GROSS WRITTEN PREMIUM
USD MILLIONS

2007	2008	2009	2010	2011
721	792	812	792	855

COMBINED RATIO
PERCENTAGE

2007	2008	2009	2010	2011
109	78	92	94	98

GENERAL CONTINGENCY RESERVE
USD MILLIONS

2007	2008	2009	2010	2011
580	430	638	790	826

TOTAL ASSETS
USD BILLIONS

2007	2008	2009	2010	2011
1.93	1.7	1.9	2.4	2.5

AFTER TAX RESULT
ON AN ETC BASIS USD MILLIONS

2007	2008	2009	2010	2011
69	-150	240	175	51

GARD AT A GLANCE

	2002	2003	2004	2005	2006
CLAIMS	In December, 2002 the TRICOLOR capsized in the English Channel in shallow water. The entire cargo of nearly 3,000 cars became a total loss.		In January, 2004 the ROCKNES capsized south of Bergen. Over 20 Gard staff provided hands on support to the owner, ranging from casualty handling to survivor issues, and even media handling advice.		
PRODUCTS		Expanded cover introduced for charterers and carriers to insure risks not included in the standard P&I policy.	Divers' P&I cover introduced to fill a gap in the standard P&I cover for professional and commercial divers.		A new Small Craft cover was launched. This tailor-made product integrates both marine and P&I covers for this market.
OFFICES	Oy Baltic Protection became a wholly-owned subsidiary of Gard Services and Helsinki became the eighth office in the global network.				Gard AS purchased Trimar Defense Services Inc in North America.
		Number of staff: 339		Number of staff: 353	
GROSS WRITTEN PREMIUMS	USD204m	USD258m	USD531m	USD558m	USD647m
HIGHLIGHTS	Gard Academy established with a mission to share knowledge and expertise internally and externally.	In November 2003 Gard completed a strategic deal to take over If's marine & energy portfolios.	Gard Marine & Energy Limited began trading in January, 2004.	Gard exercised its option to acquire full control of Gard Marine & Energy - allowing for reductions in capital and significant savings.	The cost of insurance for mutual Members was decreased by reducing the deferred call to 20 per cent.

2007

USD**721m**

Lingard Limited was established in Bermuda to take over the management functions of Gard's P&I and M&E entities based there.

In August 2007, Gard celebrated the centenary of the P&I club - an opportunity to highlight the organisation's change from a small specialist insurer to a global provider.

2008

USD**792m**

The new crisis room in Arendal was inaugurated. The state of the art equipment makes for a faster, more effective response when the alarm bell rings.

Number of staff:
397

Gard opened its office in Piraeus, Greece.

Safeguard Guarantee Company Ltd was created to offer financial security (blue cards) as required under the 2001 Bunker Convention for tonnage reinsured outside the International Group of P&I Clubs' Pooling Agreement.

2009

USD**812m**

Loss prevention case studies for on-board safety meetings were launched to help risk assessment and crew training.

Underwriting became organised by customer segment - matching our structure to our clients to provide a joined-up service.

For the 2009 policy year, the deferred call was reduced from 25 to 10 per cent.

2010

USD**792m**

Resources were increased in Hong Kong, Greece and Japan to offer Members and clients greater depth and breadth of support.

10th anniversary of the creation of Gard Services - a transformational step for the group.

2011

USD**855m**

A new claims process was implemented, based on claims types and skill sets, to deploy the right resource at the right time to maximum effect.

Charterers Loss of Use Cover was introduced to provide protection against paying hire charges during long lasting detentions, delays and arrests.

Number of staff:
433

The deferred call for 2010 was reduced from 25 to 15 per cent - returning USD 28 million to mutual Members.

WHY CHOOSE GARD

ON YOUR SIDE
A MUTUAL MINDSET UNDERPINS EVERYTHING WE DO

Our history and structure means that sharing risk and reward is at the core of what we do. Each Member bears a share of the burden when bad luck strikes and, through the International Group of P&I Clubs, we pool claims to offer increased levels of protection.

Our focus is entirely on the maritime industries – we understand where you have come from, and the dynamics of your businesses. This provides real depth to the contribution we make.

From our initial meetings to the settlement of a complicated claim, we share your financial and operational risks and worries.

Andreas Brachel, Casualty, Environmental & Property Claims

Grethe Ljøstad, Casualty, Environmental & Property Claims

Christen Guddal, Quality Management

Rolf Thore Roppestad, Underwriting

Jim Edwards, Defence Claims

ACCESSING KNOWLEDGE AND EXPERIENCE

A CONTINUOUS INVESTMENT IN THE RIGHT SKILLS AND TOOLS

While ships have never been so technically advanced, carried so much cargo, or been as environmentally-friendly, accidents happen.

Our employees range from marine biologists to engineers, lawyers to captains of vessels. Their depth of knowledge, combined with the breadth of our involvement in the industry, makes us uniquely placed to share expertise and experience both before and after an event.

We make a serious investment in our intellectual capital so that we can make a significant contribution to debating solutions to the issues of the day. We created Gard Academy a decade ago to ensure that we could share best practices both internally and externally.

WHY CHOOSE GARD
CONTINUED

Jon Thomas Brekke,
Investment Management

Alice Jackson Amundsen,
Defence Claims

Toshiyuki Kawana,
Tokyo, Manager

Chris Connor,
Claims

HELP WHEREVER YOU NEED IT
TAKING THE STRAIN ON THE CLAIM

Whether an incident is large or small – on your doorstop or the other side of the world – accessing help from Gard is simple and straightforward.

With a network of 11 offices and teams of in-house claims specialists, we can deliver the right skill set to the right place at the right time. Everything we do is about getting you back to 'business as usual'.

With our roots in the Norwegian maritime business, we are now a truly global group – employing many different nationalities and cultures. So, wherever our Members and clients operate and in whichever sector – we understand their issues and solve their problems.

PROTECTION AT EVERY STAGE OF THE JOURNEY
SUPPORT ACROSS ALL AREAS OF RISK MANAGEMENT

The dangers faced by our Members and clients can threaten their very existence, as well as the health and safety of others. Our role is to help protect their assets, earnings and reputation.

Providing risk capital is just one part of what we do. By ensuring that we also focus on risk assessment and loss prevention – as well as how we handle all aspects of casualties and crises – we can offer support every step of the way.

Anne Boye, Dry Cargo Claims

YOU KNOW WHERE YOU STAND

SECURITY EVEN IN THE MOST TURBULENT OF TIMES

For over 100 years we have focussed on our financial strength to offer the stability and predictability that means our Members and clients can get on with their day-to-day business.

We do not aim to maximise short term profit – but to invest for the future and manage resources and capital as effectively as possible.

We now have one of the highest security ratings in the marine insurance market so, when an extreme loss occurs, our Members and clients know we have resources to stand firmly behind them.

CHAIRMAN'S STATEMENT

"Gard produced a solid result in 2011, with positive underwriting developments and overall strengthening of our balance sheet"

Stephen Pan
Chairman

From almost every perspective, 2011 was a difficult year characterised by a series of natural catastrophes and the continued expansion of fleet capacity against a backdrop of marked slowdown in economic growth. This trend continued into the early months of 2012 with the global economic outlook increasingly gloomy. Leadership changes in France and Greece added further turbulence, demand for tonnage remained unpredictable, and the most recent data from China has increased concerns of a 'hard landing' for the economy that has been the main driver of demand for seaborne trade for at least a decade.

In spite of all of this, I am pleased to report that Gard P.&I. (Bermuda) Ltd produced a solid result in 2011, with positive underwriting developments in most areas and overall strengthening of our balance sheet. Building on last year's report, which aimed to give greater depth and transparency, we have created a new CEO Operational Review for this year. The objective is to give a more holistic explanation of the results and activities of the group, and add greater depth and understanding for our Members and clients.

Excess capacity

From the shipowners' perspective, the issue of excess capacity remains a very real one. For the third consecutive year, newbuilding deliveries exceeded the growth in demand. According to the 2011 Platou Report supply grew at a faster level than at any time in the last 20 years – while overall capacity utilisation was only 84 per cent.

This, combined with a significant drop in asset values and a fall in freight rates, made shipping one of the worst performing sectors of the economy. For example, in the last four years the value of a capesize bulk carrier – like the Baltic Dry Index – has fallen by 75 per cent. On the financing side, the majority of shipping loans are provided by around a dozen institutions. The introduction of Basel III from 2013 will put additional pressure on banks' liquidity and balance sheets which is likely to affect shipping disproportionately given this concentration of lenders.

Boom and bust is not new for shipping – in fact it is much more the norm – and this has generally been driven by poor investment decisions on a grand scale on the supply side of the equation. Perhaps the fact that shipping is an absolute necessity for world trade – the global economy simply could not function were it not for ships – is a curse rather than a blessing.

Despite being the life blood of international trade, shipping is also one of the most dangerous industries in the world. While ships have never been so technically advanced or as environmentally-friendly as they are today, accidents happen, and the consequences of catastrophes at sea can affect a much wider number of people than are directly involved, for example when there is pollution.

Everyone involved in the maritime industry faces a more complex, and therefore potentially more expensive, risk environment. The size of vessels, their technological sophistication, the fact that they are operating in difficult geographies – for example in developing countries or Artic waters – means that catastrophic losses may become more common. Systemic changes to the maritime industries also change the risk profile. For example, the fact that shipyards have become reluctant owners due to the combination of defaulting buyers and their own inability to meet contractual delivery terms means that there has been a shift of ownership from the established and experienced to the reluctant and inexperienced.

"It is our job to help shipowners and operators to mitigate and manage their risks so that trade can continue."

The accumulation of all of these challenges means that the business conditions facing our Members and clients are unrelentingly difficult. It is our job as an insurer to help shipowners and operators to mitigate and manage their risks so that trade can continue. Our focus is always to help them to manage their risk profile and balance sheet – it is the strategic underpinning of everything we do.

Increasing regulatory complexity

There is no doubt that the introduction of new regulatory developments is to better protect the environment and make shipping safer in the long run. However, they may also expose the P & I Clubs and marine underwriters to an increase in both the incidence and quantum of claims. For example, the Ballast Water Management Convention and MARPOL Annex V1 present a very real threat of air and ballast water pollution fines. Yet, to avoid these, shipowners and managers have to deal with a combination of complicated, unproven, nascent and fragmented technologies and a lack of training facilities. Liability limits for personal injury under the Convention on Limitation of Liability for Maritime Claims, and many other regional and local regimes, all point to increases being imposed on the ship and her owners. Shipping disasters are usually the trigger for new legislation – often with a significant impact on costs. In its centenary year, it is worth remembering that the TITANIC resulted in the International Convention for Safety of Life at Sea (SOLAS), and few in the cruise industry doubt that the COSTA CONCORDIA will spark a host of safety and other regulatory changes. During the 1990s, major shipping accidents such as the SCANDINAVIAN STAR and the ESTONIA gave rise to public concern and the review of existing compensation regimes for passengers. The most recent example is the entry into force of the EU Passenger Liability Regulation on 31 December 2012 which will bring the material provisions of the Athens Convention, as amended by the 2002 Protocol, into force as domestic law within the EU.

P&I Clubs, through the International Group, have always been able to cover the risks imposed by the various liability conventions. However, it is worth considering whether there is a limit as to how many more liabilities the system can absorb – and still survive – in an increasingly complex world.

An uncertain world

The world of insurance is not without its own issues – many of which reflect the political uncertainty of the world we live in. Continuing unrest in the Middle East and North Africa, the on-going crisis in Syria and increasing tensions over Iran's nuclear programme have resulted in a number of far-reaching trade sanctions, the implementation of which is increasingly targeted at the financial services industries as an effective route to enforcement.

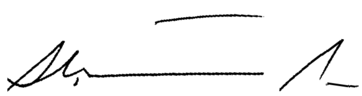
Historically, sanctions were introduced over time, often in a co-ordinated manner between the EU, the UN and US. Today, there is growing trend for individual states to impose their own sanctions, often at short notice and each adopting a different approach. Much of the regulation and legislation deliberately lacks clarity to provide flexibility in interpretation by the relevant authorities to serve a political end. All of this creates significant difficulties for insurers – both commercially and operationally.

Although after the end of the reporting period for this document, a new set of sanctions was imposed on 24 March, 2012 which prohibits the insurance and reinsurance of oil shipments from Iran by EU or US re/insurers. From 1 July, 2012 under EU council regulation 267/2012, the only way for non-EU members to lift crude oil from Iran will be to find insurance cover from a carrier who is totally unconnected to the US and EU.

With insufficient reinsurance capacity outside the London market for the required level of environmental liability cover that a shipment of oil requires, it is likely there will be tankers with Iranian oil cargoes that are partially uninsured unless governments step in to provide the necessary cover. If such a situation persists some of the traditional role of the P & I Clubs' may be eroded which would be detrimental to the long term efficiency of the shipping industry. We have fully supported the International Group of P&I Clubs' efforts to put pressure on the EU to address this situation, but at the moment there is no evidence that this pressure is working.

Ongoing trends

We are fortunate to be able to report on the continued good health and positive developments at Gard both financially and operationally. While the ability to provide financial support is vital, our ability to develop and share risk management tools, as well as develop human capital, is as important in a world of increasing complexity and challenge. Some of this is undoubtedly because of the genuine alignment of interests that exist across the membership, clients, management and staff – a core part of being a mutually-based organisation. It is also a testament to the energy and commitment of those who work on our boards and committees, as well as the expertise and experience of everyone in the Gard organisation.



Stephen Pan
Chairman

CHIEF EXECUTIVE OFFICER'S OPERATIONAL REVIEW

"Our track record in managing our estimated and actual deferred calls demonstrates the stability of our operations."

Claes Isacson
Chief Executive Officer

The last financial year was a volatile one, creating a challenging environment for everyone involved in the insurance and marine markets. Despite this, we delivered a sound result – with a surplus, on an Estimated Total Call (ETC) basis, after tax of USD 51 million and free reserves at the 20th February, 2012 of USD 826 million – giving our Members and clients comfort that we have built a resilient business over the last decade.

The world in which we operate

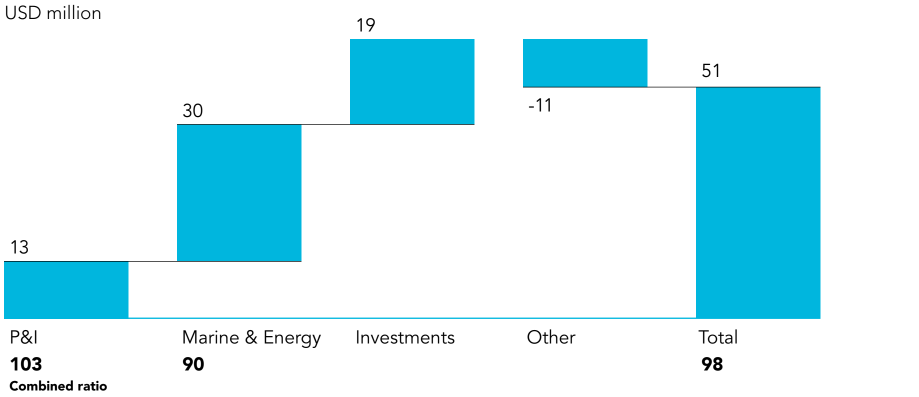
As outlined earlier in the Chairman's statement, 2011 was a tough twelve months for the global economy overall, and the shipping industry specifically. The macro-economic uncertainty was reflected in the performance of the investment markets during the 2011 financial year which impacted our results. Over the 12 months to 20 February 2012, we achieved a consolidated investment return of 2.8 per cent. Events such as the decline in the global equity markets, the downgrade of the US long-term credit rating by Standard & Poor's, concerns around slowing growth and the European debt crisis, all played their part in making for a difficult investment environment.

The reduction in our investment returns was a significant swing factor in our overall results – as indeed they had been more positively in the prior two years. The expectation that investment markets will remain unsettled, and the interest rate environment low, underpins the need to achieve positive technical underwriting results through prudent risk selection and the correct pricing of our insurance portfolios.

However, underwriting capacity in the marine insurance markets remains robust and pricing competitive across almost all lines of business – despite the losses incurred through both the natural catastrophes in 2011 and specific marine casualties. It is unlikely that this situation will change in the short term since, despite a number of large, high-profile claims across the market, there has been no significant reduction in capital.

Net result by business area

USD million



Robust foundations

Insurance plays an essential role in protecting a business' assets and balance sheet. An almost inevitable outcome of market uncertainty is that insurance buyers and brokers look very carefully at the financial stability of their trading partners. Over the last year the ratings agencies have increasingly focused on all (re)insurers' investment portfolios, and there have been a number of downgrades.

We are pleased to report that, in January, 2012, Standard & Poor's re-affirmed our interactive rating as A, with a positive outlook. This means that they have had access to public reports, detailed internal reporting and conversations with members of the Top Management Group. Such in-depth information gathering enables them to establish an informed and well-rounded view of the business – not just its financials, but also its culture and values. The result is that they have articulated the view that the Gard group's competitive position remains very strong, with a good operating performance, strong capitalisation and financial flexibility.

This is underlined by the fact that, over the last five years, our free reserves have increased by over 40% and our balance sheet is now nearly USD 2.5 billion. The stability of our operations is demonstrated by our track record in managing our estimated and actual deferred calls. In May 2012, the Board decided to levy a 20 per cent deferred call for the 2011 policy year, compared to the 25 per cent originally forecast. This was the second year that we were able to announce a reduction in the deferred call, and means that – over this period – we have returned USD 68.2 million to the mutual Members of the Club.

Gard's premium policy is to be as fair – and as predictable – as possible with Members and offer P&I insurance at rates which ensure that the club has adequately rated insurance portfolios. For this reason we will always look to reduce the insurance cost for the mutual Members to below the estimated total call when the results and capital position allow.

An ongoing focus on our capital position, however, remains very real as the world in which we do business continues to undergo systemic change. Whether that is the implementation of regulatory or legislative regimes, protecting against the inflation-adjusted payments on long-tail claims, or having the resources to meet increasing costs of wreck removal and salvage – our over-riding purpose must be to have the financial strength to operate effectively in changing times.

Finding the right balance

Overall, our underwriting results saw some impact from increased severity of the claims environment and the challenges facing the shipping industry. Despite more adverse market conditions, our technical result was down only slightly from the previous year, with a combined ratio (on an ETC basis) across the group of 98 per cent. Despite the fact that the insurance markets remain competitive, we have seen a positive development in premium income with gross written premium up 8 per cent on the previous year at USD 855 million.

P&I

In P&I, one of the main drivers is that buyers are tending to move towards insurers who can offer genuine financial security. The renewal on the 20 February, 2012 was one of the most successful in Gard's history and, in the last year, the group has seen an increase in P&I tonnage of around 25 million gross tonnes, bringing the total to around 220 million gross tonnes. In addition, we acquired a higher than average market share in our chosen areas.

The results were affected by a number of on-going claims trends which directly relate to the overall economic conditions. The first is that the frequency of claims has reduced as the global economy has slowed down and, with lower trade levels forecast, it is likely this trend will continue. However, a number of factors are contributing to an increase in the severity of claims. Cargoes continue to pose a number of challenges; in particular those that are seen as un-safe (e.g. mis-declared containers or cargoes liable to liquefy). There are also ramifications from the shift in global trade. With shipowners doing business in a larger number of jurisdictions, casualties are occurring more frequently in places where local practices mean that carriers often face inflated claims, and an uneven playing field in dealing with authorities.

> "Underwriting capacity in the insurance markets remains robust and pricing competitive across almost all lines of business."

We continue to receive a steady flow of collision claims, where basic errors in seamanship are still leading to expensive casualties. Again, as emerging economies grow in importance in terms of world trade so we are increasingly seeing cases, particularly dock damage, in some challenging jurisdictions.

In terms of environmental claims, we are seeing a sharp increase in the size of fines being levied – even for low levels of pollution – as well as an increasing onus on shipowners to organise and arrange the response to any spill. Again, dealing with the local and national authorities around any pollution incident can present a range of issues in different jurisdictions.

Following a period of intensified competition, the last two years has seen good growth in the charterers/traders book. We have made a significant investment in our capabilities both on the underwriting and the claims side.

CHIEF EXECUTIVE OFFICER'S OPERATIONAL REVIEW CONTINUED

Marine

Gross premium written year was USD 228 million, an increase of 9 per cent compared to the year before. This was, in part, because we had some success in persuading buyers that our range of cover – as well as the scope and quality of service – is worth a slightly higher premium than the average slip rate. The number of vessels for which Gard has the claims lead increased by 2 per cent to 4,047 vessels.

In terms of casualties, last year saw three claims in excess of USD 5 million, however the underlying performance was still better than anticipated. This was partly due to the fact that the cost of marine repairs has reduced as the availability of repair facilities increased – newbuilding activity has decreased – and steel prices have fallen.

Energy

Gross written premium for 2011 was USD 108 million, with the energy market experiencing small rate increases.

The market for Mobile Offshore Units (MOUs) has been challenging one in which to operate for the last several years, with a significant number of high-profile losses in both P&I and hull & machinery. This, combined with the fact that the reinsurance market has re-priced the energy liability risk, and focussed more closely on aggregations, means that prices in the direct market are rising. The energy operators have also seen rates hardening, driven – as with contractors and MOU – by severe market losses.

After a period of several years in the builders' risks market, in which both activity and premium have decreased, the last year has seen a more stable premium volume because of increased demand from new units for the offshore market (rigs, drilling vessels and conversions have increased – especially in Asia).

Standing out from the crowd

It is hard for any insurance provider to create genuine differentiation in the risk transfer business when price is often a given. Our strategy therefore has been to invest significant resources in the areas which deliver genuine value to Members and clients, and allow us to stand out from the crowd.

February 2012 saw the completion of the first full year of our new claims organisation, comprising eight separate processes – each with an owner responsible for creating best practice across all our offices. The objective is to deliver genuinely specialised support, and the evidence from the last 12 months is that it does just that. While it is still early days – and we are always looking for ways in which to improve – we believe that our Members and clients are getting the right resources at the right time. This combination of deep expertise and local knowledge from across our network means that claims are getting the speed of response and level of attention they deserve.

Core to what we do is helping our Members and clients to manage the totality of their exposures – both to existing and developing risks. We are using the same strategy of segmentation and specialism to underpin a number of product development initiatives. In the last year we have identified groups – such as liner operators – and their particular responsibilities and risks, and put together a selection of products specifically targeted to meet their needs. The objective is to offer an integrated view of how the different risks fit together so that buyers can identify the best choice of products to ensure seamless coverage and service.

The single most important factor in helping us to differentiate ourselves is our people – the service which they provide is what sets us apart. Over the last two decades Gard has become a much more complex organisation – from only three offices with nearly 90 per cent of the staff based in Arendal to 11 offices and nearly half of the employees in the other ten offices around the world. Today we employ around 430 people from 22 different nationalities.

This is a pool of talent that we must keep nurturing – and adding to. We have hired over 70 new staff in the last six years, who bring a range of different talents and skills, and we are building our graduate trainee programme to ensure that we are laying the foundations for the next generation.

Responding to regulatory change

With the introduction of Solvency II drawing closer, we have been taking steps for some years to ensure that we will be able to meet the increased capital requirements it will introduce. In addition, it contains a number of general governance requirements which need to be considered by the board of any insurance company.

Essentially, it requires the implementation of governance systems which provide for sound and prudent management of the business. In particular, this includes an effective risk-management system with strategies, processes and reporting procedures that identify, measure, monitor, manage and report on a continuous basis the risks, at an individual and at an aggregate basis, to which the company can be exposed. I am pleased to report that, at a meeting this spring, the Board of Gard approved a risk policy statement expressing an overall philosophy to risk taking, and a risk tolerance statement outlining the level of capital needed. This document offers valuable guidance in taking decisions to achieve an optimal balance between risk and return.

The risks that we all face are not decreasing. They may alter in shape and size over time, but they are not going away. Some can be retained and managed, others need to be transferred by one tool or another. Dealing with this complexity underpins everything we do, and I would like to thank everyone at Gard for the enthusiasm and creativity that they have applied to this not insubstantial challenge over the last year.

Claes Isacson
Chief Executive Officer

Both as individuals and as an organisation, we bring integrity to everything we do. Long term relationships are built on trust, so we strive for honesty, transparency and respect.

A FAIR RESPONSE
DOING THE RIGHT THING

Marius Schønberg, Loss Prevention and Risk Assessment

May Kristin Lillebø, Underwriting

Kim Jefferies, Casualty, Environmental & Property Claims and **Karl Petter Muhlbradt,** Marine Claims

INVESTMENTS

Over the 12 months to the 20th February 2012, the consolidated investment return achieved was 2.8 per cent, slightly underperforming the benchmark of 3.0 per cent.

Performance analysis

It was yet another volatile year in the financial markets, dominated mainly by macro economic factors. When – at the beginning of 2011 – Japan suffered one of its biggest earthquakes on record, followed by a destructive tsunami and nuclear crisis, the result was sharp equity market declines in Japan and across the globe. Other setbacks followed (including the August downgrade of the US long-term credit rating by Standard & Poor's from AAA to AA+) and these – coupled with concerns around slowing growth in US and China and the Eurozone crisis – led to further equity declines.

In the latter part of the year, the announcement of liquidity schemes such as the ECB's Long Term Refinancing Operation, fuelled a rebound that saw a period of strong positive returns in the equity markets before the end of the financial year.

Despite the late rally, the global equity markets overall performed poorly over the year. For example, the MSCI All Country World Index returned -2.7 per cent measured in USD. The US was the best performing region, posting a positive return of 2.2 per cent for the 12 month period, while Europe was the worst with a return of -7.0 per cent for the period. US Treasuries, however, benefitted from flight-to-quality and slower growth concerns and posted strong returns – the BarCap US Treasury Index 1-5yr returned 3.7 per cent over the period.

During the year, a new five per cent strategic allocation to emerging market debt was introduced. This strategy involved shifting some of the bond exposure from highly indebted developed sovereigns to emerging country sovereigns with better fundamentals.

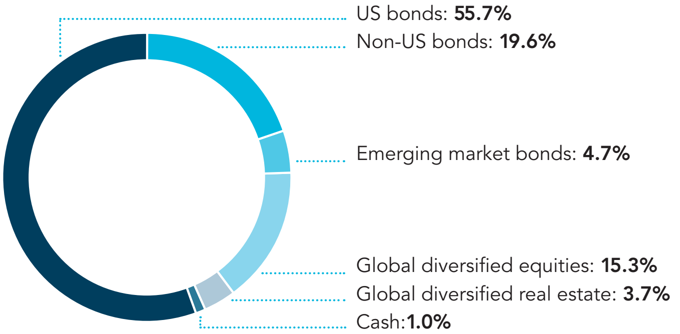
Fund management

The majority of Gard's investment portfolio is managed through its own fund structure, Gard Common Contractual Fund (CCF) which is established in Ireland. This investment structure represents a common legal framework for the management of the funds belonging to the risk-carrying entities in the Gard group (Gard P.&.I (Bermuda), Assuranceforeningen Gard – gjensidig, Gard Marine & Energy Limited, Gard Reinsurance Co Ltd, Gard Marine & Energy Försäkring AB and Safeguard Guarantee Company Ltd). The objective is to reduce management costs and optimise total returns within the investment guidelines, and all the portfolio managers in the CCF are specialists within the class of assets that they have a mandate to manage.

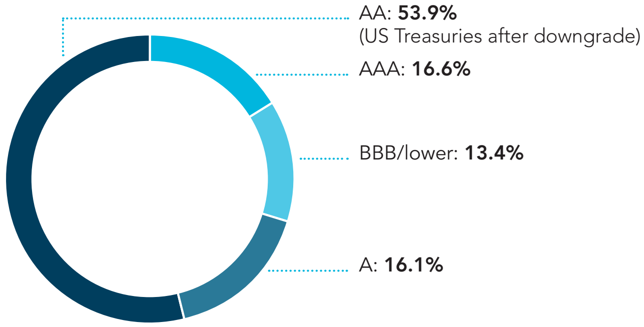
The overall fund investments are governed by investment guidelines set by the Board of Directors of each legal entity in the Gard group. These guidelines contain provisions as to the currency composition of the investments and the types of financial instruments that can be used. The guidelines also permit investments in real estate funds, futures, options and other derivatives for the purpose of improving the risk management, efficiency and liquidity of the portfolio.

In terms of asset allocation, at 20 February 2012, the Gard portfolio was made up of 55.7 per cent in US bonds; 19.6 per cent in non-US bonds; 4.7 per cent in emerging market bonds; 15.3 per cent in global diversified equities; 3.7 per cent in global diversified real estate; and 1.0 per cent in cash. Our bond portfolio is characterised by short duration, investment grade government and corporate bonds.

Asset allocation as at 20/02/2012



Bond quality profile



We understand where you have come from, and the dynamics of your businesses, This provides real depth to the contribution we make.

ON YOUR SIDE
WE ONLY FOCUS ON MARITIME INDUSTRIES

Andre Werner Kroneberg, Product, MOU & Offshore

Balvinder Ahluwalia, Defence Claims

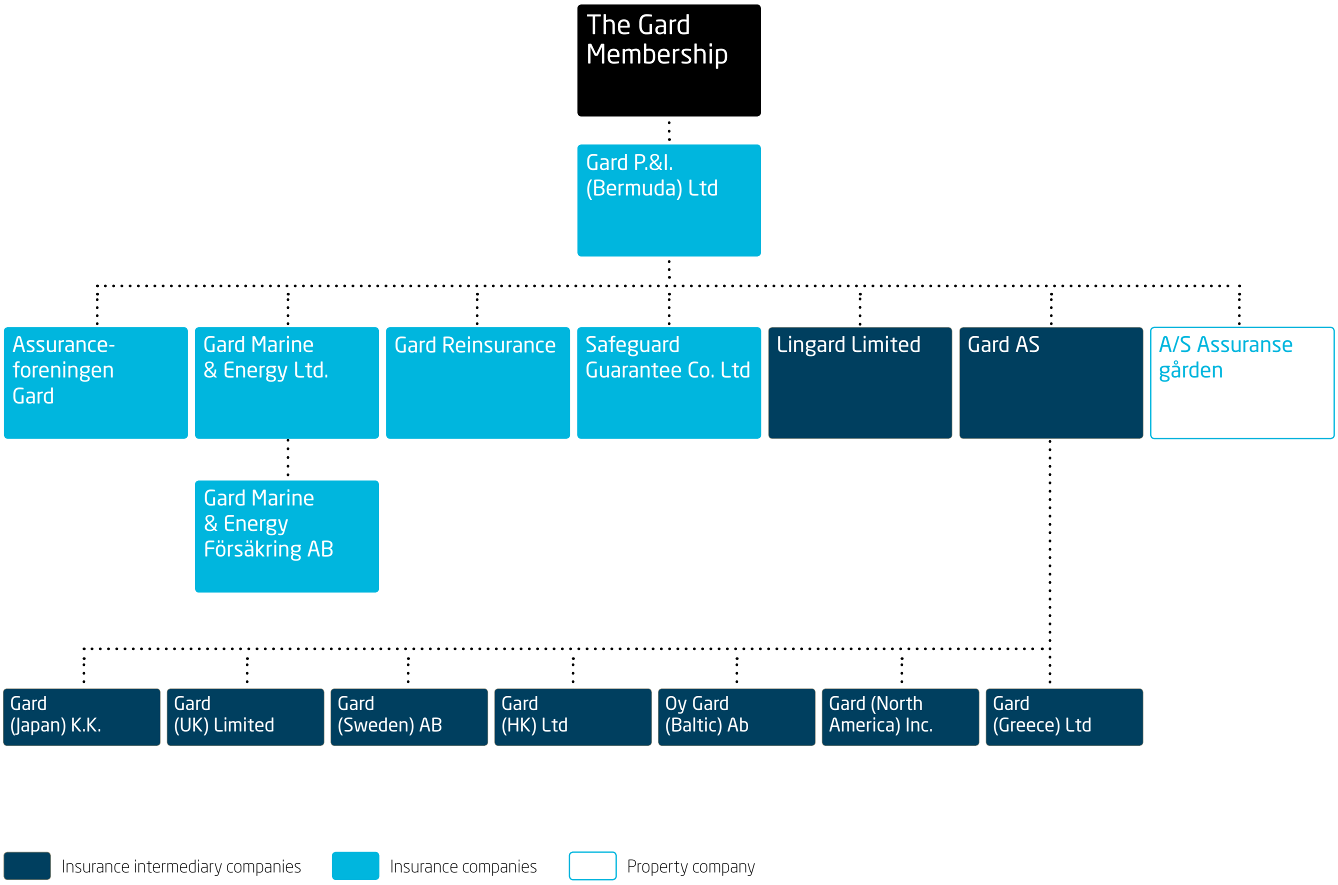
Arne Saetra, Defence Claims

Monica Kohli, Defence Claims

Bjornar Andresen, Underwriting & UK Manager

Jai Raymond Johansen, Underwriting

CORPORATE GOVERNANCE



Insurance companies

Gard P.&I. (Bermuda) Ltd was established in 1988 and, as a mutual insurance association, it is owned by its Members (shipowners, operators and charterers). There are no external capital owners. It is registered and domiciled in Bermuda, licensed by the Bermuda Monetary Authority as a 'Class 2' insurer, and is managed by Lingard.

Gard P.&I. (Bermuda) provides P&I and related insurance products to its Members. Its direct insurance business is carried out through a Norwegian branch located in Arendal, Norway, and the general agent of the branch is Gard AS. Its Members are also Members of Assuranceforeningen Gard – gjensidig in Norway (Gard P&I Norway) and vice versa. However, about 80 per cent of the two associations' combined portfolio of direct business is underwritten by Gard P.&I. (Bermuda) through the Norwegian branch as direct insurer.

Mutual reinsurance agreements have been entered into between Gard P&I Norway and Gard P.&I. (Bermuda) so that the two associations are reinsuring each other. For the tonnage entered in Gard P.&I. (Bermuda) and reinsured in Gard P&I Norway, the former (as the reinsured) has been given the right to exercise membership rights in the latter. This means in practice that Gard P.&I.(Bermuda) is the parent company in the group, and that Gard P&I Norway is treated as a subsidiary in the same way as the other wholly-owned subsidiaries like Gard Marine & Energy, Gard Reinsurance, Lingard, Safeguard and Gard AS.

This creates the required legal basis for consolidation of the accounts of Gard P.&I. (Bermuda) and Gard P&I Norway.

Both Gard P.&I. (Bermuda) and Gard P&I Norway are members of the International Group of P&I Clubs and are parties to the

International Group of P&I Clubs' Pooling Agreement, which is the contractual basis for the sharing of claims among the P&I clubs and collective purchase of market reinsurances. The two associations are recorded as 'Paired Associations', with Gard P.&I. (Bermuda) as the principal.

Assuranceforeningen Gard - gjensidig - (Gard P&I Norway) is a mutual insurance association owned by its Members and founded in Arendal, Norway in 1907 – where its head office is located. It is registered and domiciled in Norway, and licensed by the Norwegian Ministry of Finance to carry out P&I and defence insurance.

It provides P&I and related insurance products to its Members (shipowners, operators and charterers), who have ships entered in the club.

Gard P&I Norway is primarily used for insuring Members in the EU/EEA area where an EU/EEA based insurer is required in order to comply with the governing EU regulations with regard to cross border activities. The P&I portfolio of Gard P&I Norway represents about 20 per cent of the combined portfolio of Gard P&I Norway and Gard P.&I. (Bermuda).

Gard Marine & Energy Limited is a joint stock company and a wholly-owned subsidiary of Gard P.&I. (Bermuda). It is registered and domiciled in Bermuda and licensed by the Bermuda Monetary Authority as a 'Class 3B' insurer covering, among other things, marine and energy risks. It is managed by Lingard.

Gard Marine & Energy carries out its direct insurance business through a Norwegian branch located in Norway. The general agent of the branch is Gard AS.

In 2008 Gard Marine & Energy Försäkring AB was established in Sweden as a wholly-owned subsidiary of Gard Marine & Energy. It is used as a vehicle for business where an EU/EEA-based insurer is required in order to comply with governing EU regulations with regard to cross-border activities. Gard Marine & Energy reinsures the vast proportion of Gard Marine & Energy Försäkring's net retained liabilities.

Gard Reinsurance Co Ltd is a joint stock company and a wholly-owned subsidiary of Gard P.&I.(Bermuda). It is registered and domiciled in Bermuda and licensed by the Bermuda Monetary Authority as a 'Class 3A' insurer covering, among other things, marine (including P&I) and energy risks. It is managed by Lingard.

Reinsurance agreements have been entered into between Gard Reinsurance (as the reinsurer) and Gard P.&I. (Bermuda) and Gard Marine & Energy (as the reinsureds), covering a certain proportion of their retained risks (that is, the proportion of the risks underwritten that are not reinsured elsewhere). A stop loss reinsurance agreement has also been entered into between Gard Reinsurance and Gard P&I Norway.

Safeguard Guarantee Company Ltd is a joint stock company and a wholly-owned subsidiary of Gard P.&I. (Bermuda). It is registered and domiciled in Bermuda, licensed by the Bermuda Monetary Authority as a 'Class 3A' insurer and managed by Lingard.

The sole purpose of Safeguard is to offer the financial security required under the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 for mobile offshore units and other vessels insured outside the reinsurance structure established by the International Group of P&I Clubs. It has been approved as a provider of financial security by all State Parties to the Bunker Convention to which applications have been made.

Insurance intermediary companies

Lingard Limited is a joint stock company, which was registered in Bermuda in August 2006. It is a wholly-owned subsidiary of Gard P.&I. (Bermuda) and registered and licensed as an Insurance Manager. Lingard has management agreements with Gard P.&I. (Bermuda), Gard Reinsurance, Safeguard and Gard Marine & Energy, and has been delegated the responsibility of administering the day-to-day business and corporate functions of the companies domiciled in Bermuda.

Gard AS is a Norwegian joint stock company registered in Arendal, Norway, and is a wholly-owned subsidiary of Gard P.&I. (Bermuda). Gard AS is registered by the Norwegian Financial Supervisory Authority as an insurance intermediary company.

Gard AS has agency agreements with Gard P.&I. (Bermuda), Gard P&I Norway and Gard Marine & Energy to act as agent and intermediary with regard to these insurers' portfolio of direct business and has the power to conclude contracts of insurance and handle claims falling within the scope of the insurance cover.

Gard AS has established a service network of wholly-owned subsidiaries in:

- **Sweden** – Gard (Sweden) AB
- **Finland** – Gard (Baltic) OY
- **The United Kingdom** – Gard (UK) Limited
- **The United States** – Gard (North America) Inc.
- **Hong Kong** – Gard (HK) Limited
- **Greece** – Gard (Greece) Ltd
- **Japan** – Gard (Japan) KK

The subsidiaries are the local point of contact for Members and clients and perform insurance intermediary services in these markets on behalf of Gard AS' principals.

CORPORATE GOVERNANCE
CONTINUED

Gard is committed to maintaining high standards of corporate governance. We believe that effective corporate governance is essential and establishes an open and transparent framework for delivering insurance products and services to our Members and clients.

Composition of the Board and Committees
The Members of Gard P.&I. (Bermuda) are the owners of the Gard group, and therefore the composition of the governing bodies of the various legal entities within the group mirror, as far as possible and practical, the make-up of the Members in terms of categories of tonnage entered and geographic spread.

The Board and Committees of Gard P.&I. (Bermuda)
In line with Bermudan law Gard P.&I. (Bermuda) has a Board of Directors whose directors are all elected by the membership at the Annual General Meeting. There are not less than 10 and not more than 35 directors and the Board normally meets twice a year. Following elections at the Annual General Meeting in August 2011 the Board now consists of 24 directors.

The Board of Directors has established an Executive Committee and an Election Committee.

The Executive Committee
Unless otherwise determined by the Board, the Executive Committee shall administer the daily business of Gard P.&I.(Bermuda). The Executive Committee shall, inter alia, administer Gard P.&I. (Bermuda)'s funds in accordance with the general principles laid down by the Board and submit proposals and recommendations to the Board regarding the approval of the accounts, premium policy, the levy of calls and closing of open policy years, and deal with other issues arising out of the daily business of the Company.

The Executive Committee shall consist of at least five, but not more than eight, Directors and the President. The members of the Executive Committee shall be appointed each year by the Board of Directors at the first Board meeting held after the Annual General Meeting. The Executive Committee normally meets four to five times each year, in addition to the regular meetings of the Board of Directors.

The Election Committee
The Election Committee shall assist in the selection of the Board of Directors and the Executive Committee of Gard P.&I. (Bermuda). The Election Committee shall make recommendations to the Annual General Meeting for the election of all of the members of the Board of Directors and the Election Committee.

The Election Committee shall comprise a minimum of three but not more than four, members elected by the General Meeting and the Chairman of the Board of Directors. The Chairman of the Board of Directors is also the Chairman of the Election Committee.

Normally, the Election Committee meets once a year in order to determine the Election Committee's recommendations to the Annual General Meeting for the election of members to the Board of Directors and the Election Committee.

Professional secrecy
Members of governing corporate bodies of a company within the Gard group are bound to observe professional secrecy in relation to any and all matters dealt with, or reported to, the relevant board or committee. The duty to observe professional secrecy extends to all information received by the individual in their capacity as members of a board or committee of an entity within the Gard group regarding the group's business activities, and the business activities of the group's owners, clients and/or Members unless obliged by law to release such information.

Conflicts of interest
General conflict of interest principles, as laid down in the governing legislation and/or the Statutes and/or the Articles of Association and/or the Bye-laws of the individual group company, shall apply to members of a governing corporate body of an entity within the Gard group. Notwithstanding the above, no member of a governing corporate body of an entity within the group can be a member of a governing corporate body of another company or association or other legal entity that is involved in business activities which compete with Gard.

Duty to inform if a conflict of interest situation arises
If a conflict of interest situation arises, or a situation arises which might give reason to assume that such a conflict may exist, the relevant member of the board or committee has a duty to report the matter immediately to the chairman of the relevant board or committee, Members of the Board of Directors, the Executive Committee and the Election Committee of Gard P. & I. (Bermuda) Ltd.

As a provider of a broad range of marine and energy insurances, we are uniquely positioned to understand how risks fit together, and offer seamless coverage and service.

INNOVATIVE SOLUTIONS
CREATIVE THINKING AROUND RISK

Ajaz Peermohamed, Marine Claims

Sandra Guiguet, Dry Cargo Claims

Heiko Bloch, Dry Cargo Claims

GARD P. & I. (BERMUDA) LTD. MEETING DATES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE IN 2011

The Annual General Meeting

Wednesday 31 August	Bermuda

Board of Directors

Monday 30 May	Bermuda
Wednesday 31 August	Bermuda
Monday 31 October	Mallorca

Executive Committee

Thursday 27 January	Copenhagen
Thursday 14 April	Copenhagen
Saturday 28 May	Bermuda
Thursday 22 September	Copenhagen
Saturday 29 October	Mallorca

MEMBERS OF THE BOARD OF DIRECTORS, THE EXECUTIVE COMMITTEE AND THE ELECTION COMMITTEE OF GARD P. & I. (BERMUDA) LTD

The Board of Directors

Stephen Pan, Chairman	World-Wide Shipping Agency Limited, Hong Kong
Bengt Hermelin, Deputy Chairman	Samco Shipholding Pte. Ltd, Singapore
Salah M. Al-Hareky	Saudi Aramco, Dhahran
Ian Beveridge	Bernhard Schulte, Hamburg
K. C. Chang	Evergreen Marine Corp. (Taiwan) Ltd., Taipei
Trond Eilertsen	Oslo
Timothy C. Faries	Bermuda
Costas Gerapetritis	Navios Shipmanagement, Piraeus
Hannu Haapanen	Neste Shipping OY, Espoo
Herbjørn Hansson	Nordic American Tanker Shipping Limited, Bermuda
Morten W. Høegh	Leif Höegh (UK) Ltd., London
Kenneth Hvid	Teekay Shipping (Canada) Ltd., Vancouver
Hans Peter Jebsen	Kristian Gerhard Jebsen Skipsrederi AS, Bergen
Robert E. Johnston	Overseas Shipholding Group Inc., Tampa
Sergio Machado	Petroleo Brasileiro S.A. - Petrobras, Rio de Janeiro
Tadeusz Niszczota	Polish Steamship Co., Szczecin
Halvor Ribe	J.J. Ugland Companies, Grimstad
Patrick Rodgers	Euronav (UK) Agencies Limited, London
Michael Say	Aug. Bolten Wm. Miller's Nachfolger, Hamburg
Jane Sy	Stolt Tankers B. V., Rotterdam
Kazuya Uchida	Meiji Shipping Co. Ltd., Tokyo
Jan Eyvin Wang	Wilh. Wilhelmsen ASA, Oslo
Hor Weng Yew	AET-Tankers PTE Limited, Kuala Lumpur
Claes Isacson, President	

The Executive Committee

Trond Eilertsen, Chairman	Oslo
Tadeusz Niszczota	Polish Steamship Co., Szczecin
Morten W. Høegh	Leif Höegh (UK) Ltd., London
Jane Sy	Stolt Tankers B. V., Rotterdam
Michael Say	Aug. Bolten Wm. Miller's Nachfolger, Hamburg
Claes Isacson, President	

The Election Committee

Stephen Pan, Chairman	World-Wide Shipping Agency Limited, Hong Kong
Bengt Hermelin	Samco Shipholding Pte. Ltd, Singapore
Trond Eilertsen	Oslo
Herbjørn Hansson	Nordic American Tanker Shipping Limited, Bermuda

REPORT OF THE AUDITORS

We have audited the accompanying financial statements of Gard P.&I. (Bermuda) Ltd. comprising the financial statements for the Parent Company and the Group. The financial statements for the Parent Company and the Group comprise the balance sheet as at February 20, 2012, the statements of profit and loss and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and the President's responsibility for the financial statements

The Directors and the President are responsible for the preparation of these financial statements in accordance with Norwegian generally accepted accounting principles and "Regulations for annual accounts for insurance companies" approved by the Norwegian Ministry of Finance, and for such internal control as the Directors and President determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The application of Norwegian generally accepted accounting principles and "Regulations for annual accounts for insurance companies" for the preparation of these financial statements is approved by the Bermuda Monetary Authority.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, the financial statements of Gard P.& I. (Bermuda) Ltd. for the year ended February 20, 2012 are prepared, in all material respects, in accordance with Norwegian generally accepted accounting principles and "Regulations for annual accounts for insurance companies" approved by the Norwegian Ministry of Finance.

Arendal, 28 May, 2012

ERNST & YOUNG AS
Jan Dønvik

NOTICE OF AGM

To The Members of Gard P. & I. (Bermuda) Ltd.

NOTICE IS HEREBY GIVEN that the 2012 Annual General Meeting of Gard P. & I. (Bermuda) Ltd. (the "Company") will be held on Wednesday, 29 August, 2012 at the offices of its Manager, Lingard Limited, Trott & Duncan Building, 17A Brunswick Street, Hamilton HM 10, Bermuda at 12:00 noon or as soon thereafter as possible, for the following purposes:

AGENDA

1. To appoint a Chairman and a Secretary of the Meeting.
2. To read the Notice calling the Meeting.
3. To consider the Minutes of the 2011 Annual General Meeting of the Company held on 31 August 2011.
4. To receive the Auditor's report and Financial Statements for the year ended 20 February 2012.
5. a) To elect Directors and Alternate Directors;
   b) To authorize the Directors to fill any vacancies on the Board;
   c) To authorize the Directors to appoint Alternate Directors; and
   d) To determine the remuneration of the Directors and the Alternate Directors.
6. To elect members of the Election Committee.
7. To appoint Auditors for the year 2012.
8. To ratify and confirm the actions of the Directors and Officers of the Company in relation to their Company duties.

By order of the Board of Directors

Graham W. Everard
Secretary

FIRST CLASS SERVICE
COMBINING EXPERIENCE WITH EXPERTISE

We help to protect assets, earnings and reputation – supporting our Members and client every step of the way.

Wenche Dahle-Olsen, Underwriting

GARD P. & I. (BERMUDA) LTD
Profit & loss account

Amounts in USD 000's

	Notes	Parent company 21.02.11 to 20.02.12	Parent company 21.02.10 to 20.02.11	Consolidated accounts 21.02.11 to 20.02.12	Consolidated accounts 21.02.10 to 20.02.11
Technical account					
Gross written premium	4,5	403,553	377,607	840,493	764,077
Ceded reinsurance		(238,110)	(223,712)	(141,453)	(127,492)
Change in gross premium reserve		0	0	(10,640)	10,884
Change in RI premium reserve		0	0	(3,006)	2,164
Net earned premium	3	**165,443**	**153,895**	**685,395**	**649,633**
Other insurance related income		0	0	1,176	868
Gross settled claims		343,839	238,414	590,986	617,069
Reinsurers' share of gross settled claims		(135,619)	(20,453)	(41,375)	(154,247)
Change in gross claims reserve		56,357	110,013	91,582	60,975
Reinsurers' share of change in claims reserve		(100,266)	(186,970)	(46,051)	8,741
Net claims cost	3,6	**164,311**	**141,004**	**595,141**	**532,538**
Acquisition costs	3,8	**3,612**	**8,721**	**93,452**	**89,363**
Net operating expenses	8	**12,507**	**6,352**	**113**	**12,859**
Technical result	7	**(14,987)**	**(2,182)**	**(2,134)**	**15,741**
Non-technical account					
Investment income		77,450	108,516	33,690	47,498
Change in unrealised loss/gain of investments		(27,514)	63,939	(48,760)	109,838
Gain/loss on realisation of investments		42,678	(10,062)	73,636	(7,870)
Investment management expenses		(2,580)	(3,781)	(9,149)	(9,227)
Non-technical result	9	**90,035**	**158,612**	**49,417**	**140,239**
Profit before tax		**75,048**	**156,430**	**47,283**	**155,980**
Taxation	10	3,893	3,692	11,010	8,669
Net result		**71,155**	**152,738**	**36,273**	**147,311**
Other comprehensive income					
Exchange differences on translation of foreign subsidiaries		0	0	(350)	4,436
Total result		**71,155**	**152,738**	**35,923**	**151,747**
Transferred to contingency reserve	23	(71,155)	(152,738)	(35,923)	(151,747)
Use of total result		**(71,155)**	**(152,738)**	**(35,923)**	**(151,747)**

GARD P. & I. (BERMUDA) LTD
Balance sheet

Amounts in USD 000's

	Notes	Parent company As at 20.02.12	Parent company As at 20.02.11	Consolidated accounts As at 20.02.12	Consolidated accounts As at 20.02.11
Assets					
Intangible					
Other intangible assets	11	0	0	17,221	14,120
Total intangible assets		**0**	**0**	**17,221**	**14,120**
Investments					
Property and plant used in operation	12	0	0	36,414	32,603
Investments in subsidiaries	13	533,388	488,388	0	0
Loans to subsidiaries	3	34,935	21,090	0	0
Investments at amortised cost	15,16	13	13	3,478	3,478
Financial instruments at fair value through profit and loss	15,16,17	531,856	587,136	1,762,856	1,615,809
Other financial investments	15,16	0	0	41,367	47,776
Total investments		**1,100,192**	**1,096,627**	**1,844,115**	**1,699,666**
Reinsurers' share of technical provisions					
Reinsurers' share of gross premium reserve		0	0	3,664	3,520
Reinsurers' share of gross claims reserve	3,6	287,236	186,970	206,278	161,588
Total reinsurers' share of technical provisions		**287,236**	**186,970**	**209,942**	**165,108**
Receivables					
Receivables from direct insurance operations	18	47,270	35,828	163,000	156,703
Receivables from reinsurance operations		4,078	0	4,221	25,250
Receivables from group companies		71,390	81,998	0	0
Other receivables	17,19	0	0	7,282	5,176
Total receivables		**122,738**	**117,826**	**174,503**	**187,129**
Other assets					
Equipment	14	1,356	1,356	10,524	10,071
Cash and cash equivalents	20	55,995	49,606	195,638	245,846
Deferred tax asset	10	0	0	8,606	5,289
Total other assets		**57,350**	**50,962**	**214,767**	**261,206**
Prepayments and accrued income					
Accrued income and other prepayments		8,584	6,702	33,697	24,912
Total prepayments and accrued income		**8,584**	**6,702**	**33,697**	**24,912**
Total assets		**1,576,100**	**1,459,087**	**2,494,244**	**2,352,141**

GARD P. & I. (BERMUDA) LTD
Balance sheet

Amounts in USD 000's

		Parent company		Consolidated accounts	
	Notes	As at 20.02.12	As at 20.02.11	As at 20.02.12	As at 20.02.11
Equity and liabilities					
Paid in equity					
Statutory reserve	22	463	463	463	463
Total equity		**463**	**463**	**463**	**463**
Technical provisions					
Gross premium reserve		0	0	157,755	146,348
Gross claims reserve		761,580	705,222	1,370,242	1,277,702
Total technical provisions		**761,580**	**705,222**	**1,527,997**	**1,424,050**
Contingency reserve					
Contingency reserve	23	708,910	637,756	825,618	789,695
Total contingency reserve		**708,910**	**637,756**	**825,618**	**789,695**
Provision for other liabilities					
Pension obligations	21	1,417	2,574	37,601	25,864
Income tax payable	10	6,072	2,889	16,925	11,288
Other provisions for liabilities	8	0	0	623	0
Total provisions for other liabilities		**7,490**	**5,463**	**55,148**	**37,152**
Creditors					
Creditors arising out of direct insurance operations		1,515	4,875	1,753	5,165
Creditors arising out of reinsurance operations		26,059	18,921	12,953	6,869
Liabilities to financial institutions		0	0	0	10,150
Creditors group companies		48,898	68,090	0	0
Other creditors	17,19	7,671	11,497	39,211	52,687
Total creditors		**84,143**	**103,383**	**53,917**	**74,871**
Accruals and deferred income					
Accruals and deferred income		13,515	6,800	31,101	25,910
Total accruals and deferred income		**13,515**	**6,800**	**31,101**	**25,910**
Total liabilities		**1,575,638**	**1,458,624**	**2,493,782**	**2,351,678**
Total equity and liabilities		**1,576,100**	**1,459,087**	**2,494,244**	**2,352,141**

GARD P. & I. (BERMUDA) LTD
Cash flow analysis

Amounts in USD 000's

	Notes	Parent company 21.02.11 to 20.02.12	Parent company 21.02.10 to 20.02.11	Consolidated accounts 21.02.11 to 20.02.12	Consolidated accounts 21.02.10 to 20.02.11
Cash flow from operating activities					
Profit from ordinary operations before tax		75,048	156,430	47,283	155,980
Income tax payable	10	(909)	(803)	(8,259)	(6,305)
Change in unrealised gain of investments	9	(27,514)	63,939	(48,760)	109,838
Income from sales of equipment		0	0	(152)	(569)
Depreciation and amortisation expenses	12,14	0	0	3,065	3,877
Change in pension obligation	21	(1,157)	168	11,737	7,149
Change in receivables and creditors		(108,695)	(23,308)	(11,945)	91,537
Change in technical provisions and other accruals		(43,709)	(74,971)	67,870	75,996
Net cash flow from operating activities		**(106,935)**	**121,455**	**60,838**	**437,503**
Cash flow from investment activities					
Purchase/sale of investment (net)		58,949	(146,086)	(89,346)	(433,193)
Dividends received from subsidiaries	3	84,375	0	0	0
Group contribution paid to subsidiary	3	(30,000)	0	0	0
Purchase of intangible assets	11	0	0	(3,028)	(2,424)
Purchase of equipment	14	0	0	(3,332)	(1,351)
Purchase of property and plant	12	0	0	(4,174)	(1,388)
Proceeds from disposal of equipment		0	0	705	0
Net cash flow from investment activities		**113,324**	**(146,086)**	**(99,175)**	**(438,356)**
Cash flow from financial activities					
Repayment of borrowings		0	0	(10,150)	(77)
Net cash flow from financial activities		**0**	**0**	**(10,150)**	**(77)**
Net change in cash and cash equivalents		6,389	(24,631)	(48,487)	(930)
Cash and cash equivalents at opening balance		49,606	74,237	245,845	242,342
Currency exchange effects on cash equivalents		0	0	(1,720)	4,433
Cash and cash equivalents at closing balance		**55,995**	**49,606**	**195,638**	**245,845**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 1 – Corporate information – the Gard group of companies

Gard P. & I. (Bermuda) Ltd (the "Company") is a mutual insurance association registered and domiciled in Bermuda. The Company is incorporated as an exempted company and licensed by the Bermuda Monetary Authority as a Class 2 insurer. As a mutual insurance association the Company is owned by its Members being the owners and charterers of the ships from time to time insured by the Company for Protection and Indemnity (P&I) risks. There are no external capital owners.

The principal activities of the Company are; the insurance of marine P&I risk on behalf of its Members; the insurance of Marine and Energy risks through its wholly owned subsidiary Gard Marine & Energy Limited; and the management of assets covering the technical provisions.

The Members of the Company are also Members of Gard P&I Norway and vice versa. The major part of the two associations' combined portfolio of direct business (currently about 80 per cent) is underwritten by the Company through the Norwegian branch as direct insurer. Gard P&I Norway is primarily used as a vehicle for a smaller proportion of the combined P&I portfolio being primarily direct P&I business in certain countries within the EU/EEA area where an EU/EEA based insurer is required in order to comply with the governing EU regulations with regard to cross-border activities.

Assuranceforeningen Gard – gjensidig – ("Gard P&I Norway") is a mutual insurance association registered and domiciled in Norway and licensed by the Norwegian Ministry of Finance to carry out marine liability and legal costs insurances. The principal activity of the association is the insurance of marine P&I risk on behalf of its Members, including the reinsurance of a proportion of the P&I risk underwritten by the Company as direct insurer. In as much as the Company has got the right to exercise membership rights in the reinsured portfolio, the Company controls more than two thirds of the voting rights in Gard P&I Norway being the legal basis for consolidating the two associations' accounts pursuant to the International Accounting Standard 27 Consolidated and Separate Financial Statements.

Gard Marine & Energy Limited ("Gard M&E") is a wholly owned subsidiary of the Company. Gard M&E is registered and domiciled in Bermuda and licensed by the Bermuda Monetary Authority as a 'Class 3B' insurer covering, inter alia, Marine and Energy risks. The principal activity of Gard M&E is direct insurance of Marine and Energy risks.

Hydra Gard Cell. Hydra Insurance Company Limited is a reinsurance company established by the parties of the International Group of P&I Clubs' Pooling Agreement pursuant to the Bermuda 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 Hydra Gard Cell is owned 100 per cent by the Company. The assets and liabilities of the segregated account of the Company, the Hydra Gard Cell, are separated from the general accounts of Hydra Insurance Company and from any other cells.

Lingard Limited is an insurance management company registered and domiciled in Bermuda and a wholly owned subsidiary of the Company. Lingard Limited offers insurance management and insurance intermediary services to the Company and its Bermuda based subsidiaries, Gard M&E, Gard Re and Safeguard.

Safeguard Guarantee Company Ltd ("Safeguard") is a wholly owned subsidiary of the Company and is registered and domiciled in Bermuda. Safeguard offers insurance of special risks falling outside the scope of the traditional marine liability cover and financial security required under the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001, for vessels reinsured outside the reinsurance arrangements organised by the International Group of P&I Clubs.

Gard Reinsurance Co Ltd ("Gard Re") is a wholly owned subsidiary of the Company, registered and domiciled in Bermuda. Gard Re is licensed by the Bermuda Monetary Authority as a 'Class 3A' insurer. Its principal activity is the reinsurance of an agreed proportion of the risks retained by the Company, Gard M&E and Gard P&I Norway.

Gard AS is a wholly owned subsidiary of the Company. Gard AS is registered and domiciled in Norway. Its principal activity is to provide insurance agent and intermediary services to Lingard Limited and Gard P&I Norway.

A/S Assuransegården is a wholly owned subsidiary of the Company. A/S Assuransegården is a Norwegian registered and domiciled company and the owner of various fixed properties in Norway used by the Gard group of companies.

Note 2 – Accounting policies

Basis of preparation of the accounts

Gard P. & I. (Bermuda) Ltd is incorporated under Bermudian Law. The operations and insurance activities of the Company are carried out by Lingard Ltd. In order to comply with Norwegian Regulations, Gard P.&I. (Bermuda) Ltd established a Norwegian branch on 21 February 2010. The Norwegian Branch contains all business underwritten in Norway and is registered with the Norwegian Companies Register (organisation number 995 194 384).

The financial statements of the Norwegian Branch are reported to the Norwegian authorities and filed in Norway.

The financial statements have been prepared in accordance with, allowing for a few exceptions, the "Regulations for annual accounts for insurance companies" approved by the Norwegian Ministry of Finance which requires a limited use of certain International Financial Reporting Standards (IFRS) regarding certain accounting recognition, measurements and disclosures to the financial statements, and in accordance with Norwegian generally accepted accounting principles.

The IFRS standards applied that affect recognition and measurement are IFRS 4 and IAS 39, and certain parts of IFRS 7 apply regarding disclosures of financial instruments. The insurance contracts are accounted for in accordance with IFRS 4 and financial instruments are accounted for in accordance with IAS 39.

Gard P. & I. (Bermuda) Ltd fulfils the exemption criteria in paragraphs 1-5 and 1-6 of "Regulations of annual accounts for insurance companies" and has elected not to prepare financial statements in accordance with full IFRS.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 2 – Accounting policies continued

The financial statements of insurance companies with operations in Norway are subject to regulations established by the Norwegian Ministry of Finance. According to a resolution from the Financial Supervisory Authority of Norway, the Norwegian Branch has been given dispensation to present the financial statements in the English language and in USD currency. The functional and presentational currency of the Company is USD.

Gard P. & I. (Bermuda) Ltd does not allocate a part of the financial income to the technical result.

Solvency margin and solvency capital are not calculated for the company as such, as those Norwegian requirements only relate to the Norwegian Branch.

Basis for consolidation

The consolidated financial statements comprise Gard P. & I. (Bermuda) Ltd (the Company) and the companies over which Gard P. & I. (Bermuda) Ltd has a controlling interest (the Gard group). A controlling interest is normally obtained when ownership is more than 50% of the shares in the company and can exercise control over the Company. In as much as the Company has got the right to exercise membership rights in Gard P&I Norway, the Company controls more than two thirds of the voting rights in Gard P&I Norway being the legal basis for consolidating the two associations' accounts pursuant to the International Accounting Standard 27 Consolidated and Separate Financial Statements.

Transactions between consolidated companies have been eliminated in the consolidated financial statements. The consolidated financial statements have been prepared in accordance with the same accounting principles for both parent and subsidiaries.

The acquisition method is applied when accounting for business combinations. Companies which have been bought or sold during the year are included in the consolidated financial statements from the date when control is achieved and until the date when control ceases.

Use of accounting estimates when preparing the accounts

The preparation of the accounts requires the Management to make estimates and assumptions that affect assets, liabilities, revenues, expenses and contingent liabilities. Due to circumstances in the future these estimates can change. Estimates and their assumptions are considered continuously, and accounts adjusted accordingly.

Insurance contract liabilities

Insurance contract liabilities are the main items in the balance sheet based upon judgments and estimates. Estimates have to be made both for the expected total cost of claims reported and for the expected total cost of claims incurred but not reported at the balance sheet date. Standard actuarial methods are used in estimating the total cost of outstanding claims. The actuarial method uses historical data as one of the elements in the model to estimate the future claims costs. It can take a significant period of time before the ultimate claims cost can be established with certainty.

Pension liabilities

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in note 21.

Foreign currency

Functional currency and presentation currency

Both the functional currency and presentation currency of the company is USD.

Transactions in foreign currency

Transactions in currency are translated at the rate applicable on the transaction date. Monetary items on the balance sheet in currency other than USD are translated into USD using the exchange rate applicable at the end of the reporting period. The currency exposure of the provision for claims is assessed to be equivalent to the same currency exposure as claims paid. The opening and closing balance of the provision for claims other than USD are translated into USD based on the same method as for monetary items. Non-monetary items that are measured at the fair value expressed in currency other than USD are translated into USD using the exchange rate applicable on the transaction date. All differences are recognised in the profit and loss account as they occur during the accounting period.

The assets and liabilities of foreign operations are translated to USD at the rate of exchange at the closing date for items in the balance sheet, and at an average rate of exchange for items in the profit and loss account. Translation difference arising on translation is recognised in other comprehensive income.

Revenue recognition and recognition of expenses

Premiums

Premiums are based on the insurance contracts where one part (the insurer) has accepted a significant risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event adversely affects the policyholders. Premiums are accounted for in the period they are earned. A deferred call for P&I business for the accounting year is subject to approval from the Board of Directors in the following year, but is included as revenue in the accounts for the current year. Supplementary calls for P&I business may be charged to Members for previous policy years.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as gross premium reserve.

Reinsurance premiums

Reinsurance premiums are recognised as an expense over the underlying policy period.

Claims expenses

Expenses regarding incurred claims and other administrative expenses are recognised in the period in which they are incurred.

Other income and expenses are accounted for in the period they are incurred.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 2 – Accounting policies continued

Income tax
The tax expense consists of tax payable and changes in deferred tax.

Deferred tax/tax asset of the subsidiaries is calculated on all differences between the book value and the tax value of assets and liabilities. Deferred tax is calculated at the nominal tax rate of temporary differences and the tax effect of tax losses carried forward. A deferred tax asset is recorded in the balance sheet, when it is more likely than not that the tax asset will be utilised.

The Norwegian branch is liable to pay income tax based on gross earned premiums. Income tax is calculated as 0.84 per cent of gross earned premiums irrespective of whether the branch created any profit or suffered any loss in the reporting period.

Shares in subsidiaries
The investments in the subsidiaries are valued at cost in the Company accounts. The investments are valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Financial instruments
In accordance with "Regulations for annual accounts for insurance companies", IAS 39, "Financial instruments: Recognition and measurement" is used for financial instruments within the scope of IAS 39. Disclosures regarding financial instruments are made in accordance with IFRS 7 paragraphs 6-12, 21-26, 27Ba, 29, 30b, and 31-42 as well as Appendix B.

Financial assets
The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified into the following categories: at fair value through profit or loss, held to maturity, loans and receivables, available for sale and other financial assets. Financial assets are recognised initially at fair value.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis.

Financial instruments that are primarily held with the objective of trading in the short-term, financial instruments that form part of a portfolio of identified instruments which are managed together, and where there are clear traces of short-term gain realisation, are classified as held for trading purposes. These instruments form part of the category of financial instruments recognised at their fair value through profit or loss, together with financial instruments which qualify for, and have been designated as, instruments recognised at their fair value with changes in value through profit or loss.

Available for sale financial investments can include both equity and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

Financial assets with fixed or determinable cash flows and a specific redemption date which the association intends and is able to keep until maturity are classified as investments held to maturity.

Subsequent measurement
Subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss.
For investments designated as at fair value through profit and loss, the assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are re-measured at fair value. Changes in fair value are recorded in "Change in unrealised gain/loss of investments". Interest and dividends receivable are accrued and presented in "Investment income".

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the Effective Interest Rate (EIR) method, less allowance for impairment. Gains and losses are recognised in the income statement when the investments are de-recognised or impaired, as well as through the amortisation process.

Available for sale financial assets
After initial measurement, available for sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive income.

Held to maturity
Investments that are held to maturity are recognised at their amortised cost.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 2 – Accounting policies continued

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, less directly attributable transaction costs.

The group's financial liabilities include trade and other payables, insurance payables and derivative financial instruments.

Financial derivatives

Financial derivatives are assessed at their fair value. Changes in the fair value are recognised in the profit and loss account as they arise. Financial derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial derivatives are used in the Gard group's investment portfolio primarily to cover the exposure that is laid down in the Board of Directors' instructions.

Property and plant used in operation and equipment

Property, plant and equipment is capitalised and depreciated linearly over its estimated useful life. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and are depreciated with the related asset. If the carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. Property used in the entity's operations are recognised and measured in accordance with IAS 16.

Technical provisions

Technical provisions are calculated in accordance with the "Regulations for annual accounts for insurance companies", paragraphs 3-6 to 3-12.

Gross premium reserve

The gross premium reserve at the year-end in the consolidated accounts relates to M&E business. The gross premium reserve for M&E business is calculated and accounted for in the balance sheet as a provision for the part of premium written that exceeds the end of the financial year. Changes in the provision are charged to the profit and loss account.

Gross claims reserve

The gross claims reserve comprises estimates of the expected remaining exposure from claims that have been reported to the company, and from claims that have been incurred but which have not yet been reported (IBNRs).

Provisions for reported claims are made by assessing the liability of each claim. Actuarial methods are used in estimating the total cost of outstanding claims. The claim provisions have not been discounted.

In accordance with the Norwegian regulations for insurance companies a provision for Unallocated Loss Adjustment Expenses (ULAE) has been calculated on the basis of the minimum requirements for gross claims provisions and is included in the gross claims reserve.

Disclosures regarding insurance contracts are given in accordance with IFRS 4 paragraph 37a and d, and IAS 37.

Contingency reserve

The contingency reserve is retained to meet unforeseen fluctuations in claims exposure, possible catastrophes and extraordinary claims patterns that fall within the Gard group's liabilities.

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 Company 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 company as no counter security has been required

Pensions

The basis for accounting for defined benefit plans is an actuarial calculation of pension commitments. Any change in the pension commitment during the year is expensed in the profit and loss account, except for estimation deviations which are expensed over a 5 year period.

Contingent liabilities and assets

Contingent liabilities are not recognised in the balance sheet.

Contingent assets are not recognised in the financial statements but are disclosed if it is likely that resources embodying economic benefits will flow to the company.

Tax audit

The subsidiary, Assuranceforeningen Gard -gjensidig- , had a tax audit in May 2011 by Skatt Sør. A report has been received from the IRS and Assuranceforeningen Gard -gjensidig- has given a reply. The case is still open.

Changes to accounting principles

Changes in accounting principles and corrections of errors in previous year accounts are presented in accordance with IAS 8.

Events after the reporting period

New information on the Company's financial position at the end of the reporting period, which becomes known after the end of the reporting period, is recorded in the annual accounts. Events after the reporting period that do not affect the Company's financial position at the end of the reporting period but which will affect the financial position in the future are disclosed if significant.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 3 – Group transactions

Reinsurance agreements

Gard P. & I. (Bermuda) Ltd (the "Company") and Assuranceforeningen Gard – gjensidig – ("Gard P&I Norway") have entered into mutual reinsurance agreements. The Company reinsures with effect from 20 February 2010 a proportion amounting to 25 per cent of Gard P&I Norway's P&I risk underwritten that is not reinsured elsewhere (85 per cent for policy years up to 2009). With effect from the same date the Company cedes to Gard P&I Norway by way of reinsurance 2 per cent of the Company's P&I risk underwritten that is not reinsured elsewhere (15 per cent for policy years up to 2009).

Received premium from Gard P&I Norway amounts to USD 21.9 million (2010 USD 15.3 million).
Ceded premium to Gard P&I Norway amounts to USD 5.6 million (2010 USD 5.3 million).
Gard P. & I. (Bermuda) Ltd has received from Gard P&I Norway USD 2.4 million (2010 USD 1.6 million) as reinsurers' share of gross settled claims, and reinsurers' share of gross claims reserve amounts to USD 8.2 million (20.02.11 USD 5.1 million).

Gard P. & I. (Bermuda) Ltd has as reinsurers of Gard P&I Norway paid a share of gross settled claims amounting to USD 104 million (2010 USD 158.3 million) and a share of gross claims reserve amounts to USD 305.7 million (20.02.11 USD 405.6 million).
Net commission paid under the reinsurance agreements with Gard P&I Norway amounts to USD 4.1 million (2010 USD 1.8 million).

Both the Company and Gard Marine & Energy Limited ("Gard M&E") have entered into reinsurance agreements with Gard Reinsurance Co Ltd ("Gard Re") whereby the two direct insurers are ceding 50 per cent of all risk underwritten that is not reinsured elsewhere to Gard Re with effect from 20 February 2010. Ceded premium from the Company to Gard Re amounts to USD 147.7 million (2010 USD 139.5 million) and the Company has received a reinsurance commission amounting to USD 32.5 million (2010 USD 24.7 million). The Company has received USD 67.5 million (2010 USD 18.7 million) as reinsurers' share of gross settled claims and Gard Re's reinsurers' share of gross claims reserve amounts to USD 62.4 million (20.02.11 USD 127.3 million).

The company and Gard P&I Norway have entered into a reinsurance agreement with Hydra, which is a segregated accounts company. The company's segregated account (cell) in Hydra is covering the former companies' liability to the second layer of the International Group (IG) Pool and the former companies' share of IG companies' 25 per cent participation in the 1st market excess layer.
Reinsurance premium amounts to USD 19.4 million (2010 USD 17.9 million).

Insurance management agreement

The Company, Gard M&E, Gard Re and Safeguard Guarantee Company Ltd have appointed Lingard Limited as their Insurance Manager and principal representative in Bermuda. These services are governed by individual insurance management agreements entered into between each of the above four companies and Lingard Limited. Insurance services have been invoiced with USD 61.4 million (2010 USD 57.8 million).

Insurance agency agreements

Lingard Limited, in its capacity as Insurance Manager of the Company, and Gard M&E have entered into insurance agency agreements with Gard AS and its subsidiaries. Gard AS is the general agent of the Norwegian branches of the Company and Gard M&E, whereby Gard AS is delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the two Bermuda based risk carriers. A similar agency agreement has been entered into between Gard P&I Norway as the principal and Gard AS as the agent.

Insurance agency agreements have been concluded between Lingard Ltd and each of the subsidiaries of Gard AS for the purpose of sub-delegating certain insurance intermediary functions to regional offices in Japan, Hong Kong, Finland, Sweden, the United Kingdom, Greece and the United States of America.

Loan agreement

The Company has entered into loan agreements with AS Assuransegården and Gard AS. Loan amounts to USD 34.9 million (20.02.11 USD 21 million).
Loan interest amounts to USD 1.0 million (2010 USD 0.8 million).

Dividends and capital contributions

Gard M&E Ltd has decided to pay a dividend to Gard P. & I. (Bermuda) Ltd of USD 65 million (20.02.11 USD 75 million).
Lingard Ltd has decided to pay a dividend of USD 4.9 million (20.02.11 USD 4 million).
Safeguard Ltd has decided to pay a dividend of USD 0.8 million (20.02.11 USD 2.4 million).
Gard P. & I. (Bermuda) Ltd will pay a capital contribution to Gard Reinsurance Company Ltd of 45 million (20.02.11 30 million).

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 4 – Gross written premium by geographical areas
Amounts in USD 000's

	Parent company		Consolidated accounts	
	21.02.11 to 20.02.12	21.02.10 to 20.02.11	21.02.11 to 20.02.12	21.02.10 to 20.02.11
Norway	88,726	98,452	193,892	210,054
EEA	182,520	155,775	377,788	331,428
Other areas	132,307	123,380	268,813	222,595
Total	**403,553**	**377,607**	**840,493**	**764,077**

Note 5 – Estimated deferred call
These accounts are prepared on the basis that the Board of Directors will invoice a 20 per cent deferred call in respect to the 2011 policy year, payable in 2012. The deferred call for the 2010 year was 15 per cent.

Note 6 – Claims incurred gross and net of reinsurance
Amounts in USD 000's

	Parent company 21.02.11 to 20.02.12			Parent company 21.02.10 to 20.02.11		
	P&I	M&E	Total	P&I	M&E	Total
Gross claims						
Provisions, opening balance	(705,222)	0	(705,222)	(595,209)	0	(595,209)
Claims paid*	343,839	0	343,839	238,414	0	238,414
Provisions, closing balance	761,580	0	761,580	705,222	0	705,222
Claims incurred – gross	**400,197**	**0**	**400,197**	**348,427**	**0**	**348,427**
Claims net of reinsurance						
Provisions, opening balance	(518,252)	0	(518,252)	(595,209)	0	(595,209)
Claims paid, net*	208,220	0	208,220	217,961	0	217,961
Provisions net, closing balance	474,344	0	474,344	518,252	0	518,252
Net claims cost	**164,311**	**0**	**164,311**	**141,004**	**0**	**141,004**

	Consolidated accounts 21.02.11 to 20.02.12			Consolidated accounts 21.02.10 to 20.02.11		
	P&I	M&E	Total	P&I	M&E	Total
Gross claims						
Provisions, opening balance	(930,563)	(347,139)	(1,277,702)	(872,238)	(349,597)	(1,221,835)
Claims paid*	388,575	202,411	590,986	420,914	196,154	617,068
Provisions, closing balance	974,901	395,341	1,370,242	930,563	347,139	1,277,702
Currency exchange effect	0	959	959	0	5,108	5,108
Claims incurred – gross	**432,913**	**249,654**	**682,568**	**479,239**	**198,804**	**678,043**
Claims net of reinsurance						
Provisions net, opening balance	(797,021)	(319,093)	(1,116,114)	(729,816)	(315,270)	(1,045,086)
Claims paid, net*	344,889	204,722	549,611	293,748	169,073	462,821
Provision net, closing balance	854,386	309,578	1,163,964	797,021	319,093	1,116,114
Net currency exchange effect	0	(2,320)	(2,320)	0	(1,311)	(1,311)
Net claims cost	**402,255**	**192,887**	**595,141**	**360,953**	**171,585**	**532,538**

* Claims paid include claims' handling costs. Claims' handling costs consist of both direct and indirect claims' handling costs from the insurance intermediary. Comparative figures for the parent company have been changed which gives an increase in claims paid and a reduction in net acquisition costs of USD 17,065 million.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 6 – Claims incurred gross and net of reinsurance continued

Reinsurers' share of technical provisions

Amounts in USD 000's

	Parent company			Parent company		
			As at 20.02.12			As at 20.02.11
	Premium	Claim	Total	Premium	Claim	Total
Provisions, opening balance	0	186,970	186,970	0	0	0
Change in reinsurers' provision	0	100,266	100,266	0	186,970	186,970
Provision, closing balance	**0**	**287,236**	**287,236**	**0**	**186,970**	**186,970**

	Consolidated accounts			Consolidated accounts		
			As at 20.02.12			As at 20.02.11
	Premium	Claim	Total	Premium	Claim	Total
Provisions, opening balance	3,520	161,588	165,108	1,120	176,749	177,869
Change in reinsurers' provision	(3,006)	46,051	43,046	2,164	(8,741)	(6,577)
Net currency exchange effect	3,150	(1,361)	1,789	236	(6,420)	(6,184)
Provision, closing balance	**3,664**	**206,278**	**209,942**	**3,520**	**161,588**	**165,108**

No changes have been made during the year as to how the reinsurers' share of technical provisions has been measured or calculated.
We have no information about the reinsurers taking part in the company's reinsurance programme that could lead to a potential short fall in the reinsurers' share of technical provisions.

The company is included in the International Group of P&I clubs.
Technical provision regarding this is included in the following amounts:

Amounts in USD 000's

	Parent company		Consolidated accounts	
	As at 20.02.12	As at 20.02.11	As at 20.02.12	As at 20.02.11
Gross provision for Pool claims	74,491	43,331	171,717	151,293
Net provision for Pool claims	42,948	31,907	161,497	140,303

Note 7 – The technical results for gross operations and ceded reinsurance operations divided into business areas

Amounts in USD 000's

	Parent company			Parent company		
			21.02.11 to 20.02.12			21.02.10 to 20.02.11
	P&I	M&E	Total	P&I	M&E	Total
Gross						
Premiums earned	403,553	0	403,553	377,607	0	377,607
Claims incurred	(400,196)	0	(400,196)	(348,427)	0	(348,427)
Operating costs	(20,755)	0	(20,755)	(18,414)	0	(18,414)
Total result – gross	**(17,398)**	**0**	**(17,398)**	**10,766**	**0**	**10,766**
Ceded reinsurance						
Reinsurance premiums	(238,110)	0	(238,110)	(223,712)	0	(223,712)
Reinsurers' share of claims incurred	235,885	0	235,885	207,423	0	207,423
Reinsurance commission	4,636	0	4,636	3,341	0	3,341
Total result – ceded reinsurance	**2,411**	**0**	**2,411**	**(12,948)**	**0**	**(12,948)**
Result on technical account	**(14,987)**	**0**	**(14,987)**	**(2,182)**	**0**	**(2,182)**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 7 – The technical results for gross operations and ceded reinsurance operations divided into business areas continued
Amounts in USD 000's

	Consolidated accounts 21.02.11 to 20.02.12			Consolidated accounts 21.02.10 to 20.02.11		
	P&I	M&E	Total	P&I	M&E	Total
Gross						
Premiums earned	504,812	325,041	829,854	463,098	311,863	774,961
Claims incurred	(432,113)	(250,455)	(682,568)	(478,964)	(199,080)	(678,044)
Operating costs	(47,574)	(59,325)	(106,899)	(47,715)	(66,225)	(113,940)
Total result – gross	**25,125**	**15,261**	**40,387**	**(63,581)**	**46,559**	**(17,023)**
Ceded reinsurance						
Reinsurance premiums	(90,641)	(53,817)	(144,459)	(86,344)	(38,984)	(125,328)
Reinsurers' share of claims incurred	29,981	57,446	87,427	118,814	26,692	145,506
Reinsurance commission	6,244	8,267	14,511	4,685	7,900	12,585
Total result – ceded reinsurance	**(54,417)**	**11,896**	**(42,521)**	**37,155**	**(4,392)**	**32,763**
Result on technical account	**(29,291)**	**27,157**	**(2,134)**	**(26,426)**	**42,167**	**15,741**

	Parent company 21.02.11 to 20.02.12			Parent company 21.02.10 to 20.02.11		
	P&I	M&E	Total	P&I	M&E	Total
Claims incurred gross						
Current policy year	419,585	0	419,585	345,918	0	345,918
Earlier policy year	(19,389)	0	(19,389)	2,509	0	2,509
Claims incurred gross	**400,196**	**0**	**400,196**	**348,427**	**0**	**348,427**

	Consolidated accounts 21.02.11 to 20.02.12			Consolidated accounts 21.02.10 to 20.02.11		
	P&I	M&E	Total	P&I	M&E	Total
Claims incurred gross						
Current policy year	515,589	173,873	689,462	412,026	134,768	546,794
Earlier policy year	(83,476)	76,582	(6,894)	66,938	64,312	131,250
Claims incurred gross	**432,113**	**250,455**	**682,568**	**478,964**	**199,080**	**678,044**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 7 – The technical results for gross operations and ceded reinsurance operations continued
Amounts in USD 000's

	Parent company			Parent company		
	21.02.11 to 20.02.12			21.02.10 to 20.02.11		
	P&I	M&E	Total	P&I	M&E	Total
Received reinsurance						
Premiums earned	21,993	0	21,993	15,342	0	15,342
Claims incurred current policy year	(20,898)	0	(20,898)	(17,696)	0	(17,696)
Claims incurred earlier policy year	16,825	0	16,825	48,891	0	48,891
Acquisition cost	(4,259)	0	(4,259)	(1,797)	0	(1,797)
Net result of received reinsurance	**13,661**	**0**	**13,661**	**44,740**	**0**	**44,740**

Note 8 – Acquisition costs, remuneration and number of staff
Amounts in USD 000's

	Parent company		Consolidated accounts	
	21.02.11 to 20.02.12	21.02.10 to 20.02.11	21.02.11 to 20.02.12	21.02.10 to 20.02.11
Acquisition costs and commissions				
Sales related salaries and wages	0	0	23,175	22,796
Other acquisition costs	0	0	23,620	18,181
Insurance intermediary	22,270	18,401	0	0
Agent commission	18,493	18,355	61,168	60,971
Commissions earned	(37,151)	(28,035)	(14,512)	(12,585)
Total net acquisition cost	**3,612**	**8,721**	**93,452**	**89,363**
Number of staff	**0**	**0**	**425**	**403**

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 2012. The Ratio of 13.0 per cent (12.0 per cent 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 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 include a reasonable allocation of general overhead expenses.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 8 – Acquisition costs, remuneration and number of staff continued

Total remuneration to the Committees, Managing Director and Auditor amounts to:

Amounts in USD 000's

	Salary	Pension	Other benefits
Board of directors	465	0	0
CEO, salary and other benefits*	1,876	273	198

* The CEO is partly paid from the subsidiaries Gard AS, Lingard Ltd and Assuranceforeningen Gard, the CEO has a remuneration guarantee that comes into force if the Board should ask him to leave his position. The remuneration guarantee gives him 2 years of salary in addition to a contractual 6 months notice period.

The CEO has a mortgage loan with a remaining balance of USD 0.247 million. The loan has an interest charge according to the interest set by the Tax Ministry in Norway. The down payment period is 6.5 years.

Top management and some defined personnel have a pension scheme that gives them the right to retire from 60 years of age. The CEO has a pension scheme that gives him the right to retire from 58 years of age. The CEO will be entitled to a bonus equal to 70% of his salary if he remains in his position until the age of 60.

A bonus scheme has been established which includes all employees and the CEO. Bonuses will be paid if predefined targets are met. The total bonus is maximised to 20 per cent of gross salary. The bonus expected to be paid for accounting year 2011 is 11 per cent of gross salary.

	Parent company		Consolidated accounts	
	21.02.11 to 20.02.12	21.02.10 to 20.02.11	21.02.11 to 20.02.12	21.02.10 to 20.02.11
Auditing fee	100	60	857	581
Tax advising	0	10	54	198
Non audit services	29	8	144	395
Total auditors' fee	**129**	**78**	**1,055**	**1,174**

	Parent company		Consolidated accounts	
	21.02.11 to 20.02.12	21.02.10 to 20.02.11	21.02.11 to 20.02.12	21.02.10 to 20.02.11
Net operating expenses				
Bad debt	314	702	(5,152)	1,596
Service cost (Lingard)	63,167	53,784	0	0
Allocated to claims handling and acquisition cost	(58,633)	(53,749)	0	0
Bonus	6,293	3,795	6,293	6,382
Other operating expenses*	1,366	1,820	(1,028)	4,881
Net operating expenses	**12,507**	**6,352**	**113**	**12,859**

* Included in other operating expenses are revenues related to non-insurance activities which reduce other operating expenses.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 9 – Financial income and expenses
Amounts in USD 000's

	Parent company		Consolidated accounts	
	21.02.11 to 20.02.12	21.02.10 to 20.02.11	21.02.11 to 20.02.12	21.02.10 to 20.02.11
Investment income				
Interest income	1,221	36	1,629	2,838
Dividend from subsidiaries	70,790	81,450	0	0
Income from financial instruments held for trading (portfolio investments)	9,419	34,019	40,601	56,167
Income from held to maturity instruments	0	0	0	91
Foreign exchange gains/losses	(3,980)	(6,988)	(8,541)	(11,598)
	77,450	**108,516**	**33,690**	**47,498**
Change in unrealised gain/loss of investments				
Change in unrealised gain of investments	(27,514)	63,939	(48,760)	109,838
Gains on realisation of investments				
Gain on financial instruments held for trading (portfolio investments)	42,678	(10,062)	73,636	(7,870)
Investment management expenses	**(2,580)**	**(3,781)**	**(9,149)**	**(9,227)**
Non-technical result	**90,035**	**158,612**	**49,417**	**140,239**

Net profits on realisation of investments reflect the difference between cost and sale price in the local currency of the investment.

Note 10 – Tax
Amounts in USD 000's

	Parent company		Consolidated accounts	
	21.02.11 to 20.02.12	21.02.10 to 20.02.11	21.02.11 to 20.02.12	21.02.10 to 20.02.11
Income tax expenses				
Tax payable	2,984	2,889	11,548	7,946
Paid foreign withheld tax	909	803	2,777	1,234
Change in deferred tax	0	0	(3,316)	(510)
Tax expenses ordinary result	**3,893**	**3,692**	**11,010**	**8,669**

	Parent company		Consolidated accounts	
	21.02.11 to 20.02.12	21.02.10 to 20.02.11	21.02.11 to 20.02.12	21.02.10 to 20.02.11
Income tax payable				
Tax at beginning of the year	2,889	0	11,288	8,683
Tax payable related to the year	2,984	2,889	11,635	7,946
Paid tax during the year	0	0	(5,727)	(4,961)
Currency effects	199	0	(185)	(379)
Tax payable at the end of the year	**6,072**	**2,889**	**16,925**	**11,288**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 10 – Tax continued
Amounts in USD 000's

	Parent company		Consolidated accounts	
	As at 20.02.12	As at 20.02.11	As at 20.02.12	As at 20.02.11
Deferred tax asset:				
Specification of tax effect resulting from temporary differences				
Pension obligations	0	0	32,308	19,362
Equipment	0	0	(1,346)	(831)
Other temporary differences	0	0	(227)	359
Total temporary differences	**0**	**0**	**30,735**	**18,890**
Deferred tax asset, 28 per cent of total temporary differences	**0**	**0**	**8,606**	**5,289**

A deferred tax asset regarding Norwegian companies in the consolidated accounts has been recorded in the balance sheet because it is likely to be used in the future. One subsidiary has a net deferred tax asset as at 20.02.12 amounting to USD 28.3 million (20.02.11 USD 28.9 million) that is not included in the recorded amount above. This deferred tax asset is not likely to be utilised in the future.

Note 11 – Other intangible assets
Amounts in USD 000's

	Consolidated accounts	
	21.02.11 to 20.02.12	21.02.10 to 20.02.11
Cost at beginning of year	20,136	17,712
Net additions / disposals	3,028	2,424
Exchange adjustments	1,729	0
Cost at end of year	**24,893**	**20,136**
Depreciation at beginning of year	6,016	0
Total impairment effect	0	6,016
Exchange adjustments	1,656	0
Depreciation at end of year	**7,672**	**6,016**
Net book value at end of year	**17,221**	**14,120**

The Group has an ongoing project of developing a new software for insurance handling. Due to technical changes part of the project value is out of date and has been impaired with a total of USD 6 million.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 12 – Property and plant used in operation
Amounts in USD 000's

	Consolidated accounts As at 20.02.12
Cost at beginning of year	39,704
Net additions / disposals	4,174
Exchange adjustments	205
Cost at end of year	**44,083**
Depreciation at beginning of year	7,101
Depreciation charge for the year	531
Exchange adjustments	37
Depreciation at end of year	**7,669**
Net book value as at 20.02.2012	**36,414**
Amortisation period	20-66 years
Amortisation type	linear

The company is situated in offices in Arendal, owned by a subsidiary company of Gard P. & I. Bermuda Ltd.

Rent included in the consolidated accounts is charged to the profit and loss account in the period the offices are used. Any remaining rental liabilities are not included in the balance sheet. Total costs regarding rent in the consolidated account amounts to USD 8.7 million (USD 8.7 million last year).

Note 13 – Investments in subsidiaries
Amounts in USD 000's

	Ownership	Voting share	Place of office		Share capital	Cost price USD As at 20.02.12
Gard Marine & Energy Ltd	100.0 %	100.0 %	Bermuda	USD	190,000	197,737
Gard AS	100.0 %	100.0 %	Norway	NOK	30,000	70,932
A/S Assuransegården	100.0 %	100.0 %	Norway	NOK	22,220	21,095
Varmekrogen AS	100.0 %	100.0 %	Norway	NOK	100	26
Safeguard Guarantee Company Ltd	100.0 %	100.0 %	Bermuda	USD	120	10,000
Gard Reinsurance Co Ltd	100.0 %	100.0 %	Bermuda	USD	150,000	225,000
Hydra Insurance Company Ltd (Gard's cell)	100.0 %	100.0 %	Bermuda	USD	7,698	7,698
Lingard Ltd	100.0 %	100.0 %	Bermuda	USD	900	900
Total						**533,388**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 14 – Equipment
Amounts in USD 000's

	Parent company	Consolidated accounts		
	As at 20.02.12			As at 20.02.12
	Art	Art	Equipment	Total
Acquisition cost at beginning of year	1,356	4,337	15,185	19,522
Net additions / disposals	0	74	2,618	2,692
Exchange adjustments	0	0	(215)	(215)
Cost at end of year	**1,356**	**4,411**	**17,588**	**21,999**
Depreciation at beginning of year	0	0	9,451	9,451
Depreciation charge for the year	0	0	2,534	2,534
Exchange adjustments	0	0	(510)	(510)
Depreciation at end of year	**0**	**0**	**11,475**	**11,475**
Net book value at end of year	**1,356**	**4,411**	**6,113**	**10,524**

Note 15 – Financial instruments and fair values of financial instruments
Amounts in USD 000's

Investments at amortised costs

	Parent company				Consolidated accounts			
	As at 20.02.12		As at 20.02.11		As at 20.02.12		As at 20.02.11	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Bonds held to maturity	13	13	13	13	3,478	4,671	3,478	4,677
Total	**13**	**13**	**13**	**13**	**3,478**	**4,671**	**3,478**	**4,677**

Financial instruments at fair value through profit or loss

	Parent company				Consolidated accounts			
	As at 20.02.12		As at 20.02.11		As at 20.02.12		As at 20.02.11	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Equities	182,376	182,376	192,741	192,741	406,402	406,402	385,489	385,489
Bonds	327,180	327,180	373,993	373,993	1,331,465	1,331,465	1,209,247	1,209,247
Real estate fund	11,485	11,485	5,220	5,220	11,485	11,485	5,220	5,220
Financial derivative assets	10,815	10,815	15,182	15,182	13,504	13,504	15,852	15,852
Total	**531,856**	**531,856**	**587,136**	**587,136**	**1,762,856**	**1,762,856**	**1,615,809**	**1,615,809**
Financial derivative liabilities*	0	0	6,219	6,219	0	0	8,191	8,191

* Financial derivative liabilities are included in other creditors

The financial instruments above were designated as fair value through profit or loss at initial recognition.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 15 – Financial instruments and fair values of financial instruments continued
Other financial investments designated at fair value through profit or loss

Amounts in USD 000's

	Consolidated accounts			
	As at 20.02.12		As at 20.02.11	
	Carrying value	Fair value	Carrying value	Fair value
Loan to employees	33,491	33,491	29,428	29,428
Bonds	7,876	7,876	18,348	18,348
Total	**41,367**	**41,367**	**47,776**	**47,776**

Determination of fair value
The following describes the methodologies and assumptions used to determine fair values:

Financial instruments at fair value through profit or loss
The fair value of financial assets classified as financial instruments at fair value through profit or loss and the fair value of bonds included above is determined by reference to published price quotations in an active market. For unquoted financial assets the fair value has been estimated using a valuation technique based on assumptions that are supported by observable market prices.

Assets for which fair value approximates carrying value
For financial assets and liabilities that have a short-term maturity, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Floating rate financial investments – loan to employees
The estimated fair value of floating rate loans to employees is based on discounted cash flows by comparing interest rates charged on loans to employees with current market rates for debts with similar credit risk and maturity.

Fair value hierarchy
The Gard group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market.

Non-market observable inputs means that fair values are determined as a whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. As of 20 February there are no such instruments in the balance sheet.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 15 – Financial instruments and fair values of financial instruments continued
Amounts in USD 000's

	Parent company			Parent company		
			As at 20.02.12			As at 20.02.11
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial instruments						
Investments at amortised cost						
Bonds held for maturity	13	0	0	13	0	0
Financial assets at fair value through profit or loss						
Equities	182,376	0	0	192,741	0	0
Bonds	327,180	0	0	373,993	0	0
Real estate fund	0	11,485	0	0	5,220	0
Financial derivative assets	0	10,815	0	0	15,182	0
Other financial investments designated at fair value through profit or loss						
Bonds	0	0	0	0	0	0
Loans to employees	0	0	0	0	0	0
Total financial instruments	**509,569**	**22,300**	**0**	**566,747**	**20,402**	**0**
Financial liabilities						
Financial derivative liabilities	0	0	0	0	6,219	0
Total financial liabilities	**0**	**0**	**0**	**0**	**6,219**	**0**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 15 – Financial instruments and fair values of financial instruments continued
Amounts in USD 000's

	Consolidated accounts			Consolidated accounts		
			As at 20.02.12			As at 20.02.11
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial instruments						
Investments at amortised cost						
Bonds held for maturity	3,478	0	0	3,478	0	0
Financial assets at fair value through profit or loss						
Equities	406,402	0	0	385,489	0	0
Bonds	1,331,465	0	0	1,209,247	0	0
Real estate fund	0	11,485	0	0	5,220	0
Financial derivative assets	0	13,504	0	0	15,852	0
Other financial investments designated at fair value through profit or loss						
Bonds	7,876	0	0	18,348	0	0
Loan to employees	0	33,491	0	0	29,428	0
Total financial instruments	**1,749,221**	**58,480**	**0**	**1,616,562**	**50,500**	**0**
Financial liabilities						
Financial derivative liabilities	0	0	0	0	8,191	0
Total financial liabilities	**0**	**0**	**0**	**0**	**8,191**	**0**

During the reporting period ending 20 February 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no items or transfers into and out of Level 3 fair value measurements.

Note 16 – Financial risk
Risk management framework
The purpose of risk management is to enable the Gard group to meet its obligations to policyholders and Members. Risk management must ensure that risk taking is consistent with the company's risk appetite and that there is an appropriate risk-reward balance in all risk taking activities. This risk management framework has been approved by the CEO. The Risk and Capital Committee is responsible for proposing changes to this framework to the CEO. The Risk and Capital Committee meets regularly to discuss any commercial, regulatory and organisational requirements. The mission is to improve the understanding of current and prospective risk exposures, as well as ensure sound, holistic and transparent decision-making processes in relation to risk management.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The credit exposure on the Gard group's reinsurance programme is in line with the guidelines of only accepting reinsurers with an A- or higher rating. The Gard group is, however, faced with BBB rating exposure through the IG Pooling Agreement. Among the thirteen clubs, six have ratings of BBB or lower. This is mitigated by a designated reserve scheme, whereby high quality bank guarantees are provided as security for liabilities between the Pooling participants.

The Gard group also has counterparty risk towards counterparties through the financial derivative overlay programme used to manage market risk exposures. Common risk mitigation techniques are exercised in order to minimise the counterparty risk in relation to the of holding of derivative contracts.

The credit risk in respect of receivables is handled by group policies and by close follow up. Outstanding receivables can be netted off against outstanding claims payments to reduce the risk of doubtful debts.

The tables below provide information regarding credit risk exposure as at 20 February 2012, by classifying assets according to Standard & Poor's ratings. AAA is the highest possible rating. During the year S&P lowered the long-term sovereign credit rating on the United States of America to AA+ from AAA.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 16 – Financial risk continued
Amounts in USD 000's

								Parent company	
	AAA	AA	A	BBB	BB	B	CCC/lower	Not rated	As at 20.02.12 Total
Financial instruments									
Investments at amortised cost									
Bonds held for maturity	0	13	0	0	0	0	0	0	13
Financial assets at fair value through profit or loss									
Equities	1,619	16,483	43,298	42,469	3,626	369	7	74,505	182,376
Bonds	87,788	160,359	36,976	38,580	2,987	204	214	73	327,180
Real estate fund	0	0	0	0	0	0	0	11,485	11,485
Financial derivative assets	0	41	10,774	0	0	0	0	0	10,815
Other financial investments designated at fair value through profit or loss									
Investment in subsidiaries	0	0	533,388	0	0	0	0	0	533,388
Loan to subsidiaries	0	0	34,935	0	0	0	0	0	34,935
Reinsurer share of gross claim reserve		224	269,149	16,279	1,584	0	0	0	287,236
Receivables	0	0	75,468	0	0	0	0	47,270	122,738
Cash and cash equivalents	0	55,995	0	0	0	0	0	0	55,995
Total	**89,407**	**233,114**	**1,003,987**	**97,328**	**8,197**	**573**	**222**	**133,333**	**1,566,161**

								Parent company	
	AAA	AA	A	BBB	BB	B	CCC/lower	Not rated	As at 20.02.11 Total
Financial instruments									
Investments at amortised cost									
Bonds held for maturity	0	13	0	0	0	0	0	0	13
Financial assets at fair value through profit or loss									
Equities	602	44,604	91,219	47,311	4,754	1,804	0	2,447	192,741
Bonds	281,084	13,221	37,143	38,068	3,137	942	175	225	373,993
Real estate fund	0	0	0	0	0	0	0	5,220	5,220
Financial derivative assets	0	0	15,182	0	0	0	0	0	15,182
Other financial investments designated at fair value through profit or loss									
Investment in subsidiaries	0	0	488,388	0	0	0	0	0	488,388
Loan to subsidiaries	0	0	21,090	0	0	0	0	0	21,090
Reinsurers' share of gross claim reserve	0	68	169,038	16,280	1,584	0	0	0	186,970
Receivables	0	0	81,998	0	0	0	0	35,828	117,826
Cash and cash receivables	0	49,606	0	0	0	0	0	0	49,606
Total	**281,686**	**107,512**	**904,058**	**101,659**	**9,475**	**2,746**	**175**	**43,720**	**1,451,029**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 16 – Financial risk continued
Amounts in USD 000's

	AAA	AA	A	BBB	BB	B	CCC/lower	Not rated	Consolidated accounts As at 20.02.12 Total
Financial instruments									
Investments at amortised cost									
Bonds held for maturity	3,465	13	0	0	0	0	0	0	3,478
Financial assets at fair value through profit or loss									
Equities	3,936	40,605	101,340	81,988	7,924	1,327	42	169,241	406,402
Bonds	222,784	725,105	203,842	143,618	33,116	986	1,270	744	1,331,465
Real estate fund	0	0	0	0	0	0	0	11,485	11,485
Financial derivative assets	0	415	13,089	0	0	0	0	0	13,504
Other financial investments designated at fair value through profit or loss									
Bonds	7,876	0	0	0	0	0	0	0	7,876
Loan to employees	0	0	0	0	0	0	0	33,491	33,491
Reinsurers' share of gross claim reserve	18	34,388	106,470	39,734	3,300	0	0	22,368	206,278
Receivables	0	0	0	0	0	0	0	174,503	174,503
Cash and cash receivables	0	195,638	0	0	0	0	0	0	195,638
Total	**238,079**	**996,164**	**424,741**	**265,340**	**44,340**	**2,313**	**1,311**	**411,832**	**2,384,120**

	AAA	AA	A	BBB	BB	B	CCC/lower	Not rated	Consolidated accounts As at 20.02.11 Total
Financial instruments									
Investments at amortised cost									
Bonds held for maturity	3,465	13	0	0	0	0	0	0	3,478
Financial assets at fair value through profit or loss									
Equities	1,812	70,851	156,093	90,766	8,873	3,032	0	54,062	385,489
Bonds	86,093	59,735	129,402	103,816	21,470	6,508	1,006	1,218	1,209,247
Real estate fund	0	0	0	0	0	0	0	5,220	5,220
Financial derivative assets	0	0	15,852	0	0	0	0	0	15,852
Other financial investments designated at fair value through profit or loss									
Bonds	18,348	0	0	0	0	0	0	0	18,348
Loan to employees	0	0	0	0	0	0	0	29,428	29,428
Reinsurers' share of gross claim reserve	11	12,707	103,123	39,028	3,161	0	0	3,558	161,588
Receivables	0	0	0	0	0	0	0	187,129	187,129
Cash and cash receivables	0	245,846	0	0	0	0	0	0	245,846
Total	**909,728**	**389,152**	**404,470**	**233,610**	**33,504**	**9,540**	**1,006**	**280,615**	**2,261,624**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 16 – Financial risk continued
Amounts in USD 000's

Collateral
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Credit risk is mitigated by entering into collateral agreements. Management monitors the market value of the collateral and requests additional collateral when needed.
For financial derivatives collateral was received from one counterparty as at 20.02.12 in the amount of USD 1.4 million (20.02.11 USD 6.6 million).

As mentioned above the group actively manages its credit portfolio to ensure that there is no significant concentration of credit risk.

Age analysis of receivables after provision for bad debt:

					Parent company As at 20.02.12
	Not due	0-60 days	61-90 days	Above 90 days	Total
Receivables	115,242	1,200	614	5,682	122,738
Total	**115,242**	**1,200**	**614**	**5,682**	**122,738**

					Parent company As at 20.02.11
	Not due	0-60 days	61-90 days	Above 90 days	Total
Receivables	114,462	1,771	576	1,017	117,826
Total	**114,462**	**1,771**	**576**	**1,017**	**117,826**

					Consolidated accounts As at 20.02.12
	Not due	0-60 days	61-90 days	Above 90 days	Total
Receivables	142,056	12,310	3,225	16,912	174,503
Total	**142,056**	**12,310**	**3,225**	**16,912**	**174,503**

					Consolidated accounts As at 20.02.11
	Not due	0-60 days	61-90 days	Above 90 days	Total
Receivables	160,710	14,798	2,996	8,625	187,129
Total	**160,710**	**14,798**	**2,996**	**8,625**	**187,129**

Impaired receivables
As at 20.02.12 there are impaired receivables in the parent company of USD 1.0 million (20.02.11 USD 0.7 million) and there are impaired receivables in the consolidated accounts of USD 8.8 million (20.02.11 USD 11.8 million). No collateral is held as security for the impaired receivables, but the receivables can be deducted from future claim payments if any. Impairment allowance is included in net operating expenses.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries. Liquidity risk arises primarily due to the unpredictability of the timing of payment of insurance liabilities and the illiquidity of the assets held or when market depth is insufficient to absorb the required volumes of assets to be sold, resulting in asset sale at a discount. The risk is mitigated through a credit facility with Nordea Bank Norge ASA and a cash pool between the direct insurance entities in the Gard group, which improves access to liquidity across the legal entities.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 16 – Financial risk continued
Maturity profile
The tables below set out the maturity profile of assets and liabilities combining amounts expected to be recovered within 1 year, between 1 and 5 years and in more than 5 years. Assets and liabilities not covered by IFRS 7 are classified as other assets and other liabilities in the table below.

The Gard group maintains highly marketable financial instruments and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. This, combined with the credit facility and cash pool to meet liquidity needs, gives an understanding on how assets and liabilities have been matched.

Amounts in USD 000's

						Parent company As at 20.02.12
	Carrying value	Within 1 year	1 – 5 years	More than 5 years	No maturity date	Total
Financial assets						
Investments in subsidiaries	533,388	0	0	0	533,388	533,388
Investments at amortised cost	13	0	0	13	0	13
Financial assets at fair value through profit or loss	531,856	80,283	212,714	44,999	193,861	531,856
Other financial investments designated at fair value through profit or loss	0	0	0	0	0	0
Reinsurers' share of technical provisions	287,236	81,546	175,674	30,016	0	287,236
Receivables	157,673	122,738	0	0	34,935	157,673
Cash and cash equivalents	55,995	55,995	0	0	0	55,995
Total financial assets	**1,566,161**	**340,561**	**388,387**	**75,028**	**762,184**	**1,566,161**
Accrued income and prepayments	8,584	8,584	0	0	0	8,584
Other assets	1,356	0	0	0	1,356	1,356
Total assets	**1,576,100**	**349,145**	**388,387**	**75,028**	**763,540**	**1,576,100**
Financial liabilities						
Financial derivative liabilities	0	0	0	0	0	0
Technical provisions	1,470,490	216,213	465,782	79,585	708,910	1,470,490
Provision for other liabilities	7,489	0	6,072	1,417	0	7,489
Creditors and accruals	97,658	97,658	0	0	0	97,658
Total financial liabilities	**1,575,637**	**313,871**	**471,854**	**81,002**	**708,910**	**1,575,637**
Other liabilities	463	0	0	0	463	463
Total liabilities	**1,576,100**	**313,871**	**471,854**	**81,002**	**709,373**	**1,576,100**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 16 – Financial risk continued
Amounts in USD 000's

	Carrying value	Within 1 year	1 – 5 years	More than 5 years	No maturity date	Total
						Parent company As at 20.02.11
Financial assets						
Investments in subsidiaries	488,388	0	0	0	488,388	488,388
Investment at amortised cost	13	0	0	13	0	13
Financial assets at fair value through profit or loss	587,136	11,473	331,871	45,831	197,961	587,136
Other financial investments designated at fair value through profit or loss	0	0	0	0	0	0
Reinsurers' share of technical provisions	186,970	50,482	112,182	24,306	0	186,970
Receivables	138,916	117,826	0	0	21,090	138,916
Cash and cash equivalents	49,606	49,606	0	0	0	49,606
Total financial assets	**1,451,029**	**229,387**	**444,053**	**70,150**	**707,439**	**1,451,029**
Accrued income and prepayments	6,702	6,702	0	0	0	6,702
Other assets	1,356	0	0	0	1,356	1,356
Total assets	**1,459,087**	**236,089**	**444,053**	**70,150**	**708,795**	**1,459,087**
Financial liabilities						
Financial derivative liabilities	6,219	6,219	0	0	0	6,219
Technical provisions	1,342,978	190,410	423,133	91,679	637,756	1,342,978
Provision for other liabilities	5,463	167	2,889	2,407	0	5,463
Creditors and accruals	103,964	103,964	0	0	0	103,964
Total financial liabilities	**1,458,624**	**300,760**	**426,022**	**94,086**	**637,756**	**1,458,624**
Other liabilities	463	0	0	0	463	463
Total liabilities	**1,459,087**	**300,760**	**426,022**	**94,086**	**638,219**	**1,459,087**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 16 – Financial risk continued
Amounts in USD 000's

	Consolidated accounts As at 20.02.12					
	Carrying value	Within 1 year	1 – 5 years	More than 5 years	No maturity date	Total
Financial assets						
Investment at amortised cost	3,478	0	0	3,478	0	3,478
Financial assets at fair value through profit or loss	1,762,856	186,391	740,164	418,415	417,886	1,762,856
Other financial investments designated at fair value through profit or loss	41,367	0	7,876	33,491	0	41,367
Reinsurers' share of technical provisions	209,942	62,226	126,160	21,556	0	209,942
Receivables	174,503	174,503	0	0	0	174,503
Cash and cash equivalents	195,638	195,638	0	0	0	195,638
Total financial assets	**2,387,784**	**618,758**	**874,200**	**476,940**	**417,886**	**2,387,784**
Accrued income and prepayments	33,697	33,697	0	0	0	33,697
Other assets	72,763	0	10,524	8,606	53,633	72,763
Total assets	**2,494,244**	**652,455**	**884,724**	**485,546**	**471,519**	**2,494,244**
Financial liabilities						
Financial derivative liabilities	0	0	0	0	0	0
Technical provisions	2,353,615	546,767	838,040	143,190	825,618	2,353,615
Provision for other liabilities	55,148	8,956	16,925	29,268	0	55,148
Creditors and accruals	85,018	85,018	0	0	0	85,018
Total financial liabilities	**2,493,781**	**640,741**	**854,965**	**172,458**	**825,618**	**2,493,781**
Other liabilities	463	0	0	0	463	463
Total liabilities	**2,494,244**	**640,741**	**854,965**	**172,458**	**826,081**	**2,494,244**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 16 – Financial risk continued
Amounts in USD 000's

						Consolidated accounts
						As at 20.02.11
		Carrying value year	Within 1 1 – 5 years	More than 5 years	No maturity date	Total
Financial assets						
Investments in subsidiaries						
Investment at amortised cost	3,478	0	0	3,478	0	3,478
Financial assets at fair value through profit or loss	1,615,809	166,130	698,253	360,489	390,936	1,615,809
Other financial investments designated at fair value through profit or loss	47,776	0	18,348	29,428	0	47,776
Reinsurers' share of technical provisions	165,108	47,149	96,953	21,006	0	165,108
Receivables	187,129	187,129	0	0	0	187,129
Cash and cash equivalents	245,846	245,846	0	0	0	245,846
Total financial assets	**2,265,146**	**646,254**	**813,554**	**414,402**	**390,936**	**2,265,146**
Accrued income and prepayments	24,912	24,912	0	0	0	24,912
Other assets	62,083	0	10,071	5,289	46,723	62,083
Total assets	**2,352,141**	**671,166**	**823,625**	**419,691**	**437,659**	**2,352,141**
Financial liabilities						
Financial derivative liabilities	8,191	8,191	0	0	0	8,191
Technical provisions	2,213,745	491,328	766,621	166,101	789,695	2,213,745
Provision for other liabilities	37,152	8,333	11,288	17,531	0	37,152
Creditors and accruals	92,590	92,590	0	0	0	92,590
Total financial liabilities	**2,351,678**	**600,441**	**777,909**	**183,632**	**789,695**	**2,351,678**
Other liabilities	463	0	0	0	463	463
Total liabilities	**2,352,141**	**600,441**	**777,909**	**183,632**	**790,158**	**2,352,141**

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from investment activities and the sensitivity of liabilities to market prices. The most significant market risk types are: foreign exchange rates (currency risk), market interest rates (interest rate risk), and quoted price rates (price risk).

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The currency exposure on the asset side in the Gard group is matched to the assumed currency exposure of liabilities. A significant share of the actual claims exposure is in another currency than the accounting currency. Based on accounting figures, there is a mismatch between assets and liabilities. The currency exposure is managed through a rolling forward programme.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 16 – Financial risk continued

The tables below summarises assets and liabilities by major currencies:

Amounts in USD 000's

					Parent company
					As at 20.02.12
	USD	EUR	GBP	Other	Total
Assets					
Investments in subsidiaries	441,337	0	0	92,051	533,388
Loan to subsidiaries	0	0	0	34,935	34,935
Investments at amortised cost	13	0	0	0	13
Portfolio investments at fair value through profit and loss	324,015	51,759	43,109	112,973	531,856
Other financial investments	0	0	0	0	0
Reinsurers' share of gross premium reserve	0	0	0	0	0
Reinsurers' share of gross claims reserve	194,837	23,423	24,740	44,236	287,236
Receivables from direct insurance operations	46,851	317	6	96	47,270
Receivables from reinsurance operations	4,078	0	0	0	4,078
Receivables from group companies	71,390	0	0	0	71,390
Other receivables	0	0	0	0	0
Equipment	1,356	0	0	0	1,356
Cash and cash equivalents	16,748	6,198	0	33,049	55,995
Deferred tax asset	0	0	0	0	0
Accrued income and other prepayments	8,572	0	0	9	8,581
Total assets	**1,109,197**	**81,697**	**67,855**	**317,349**	**1,576,100**
Liabilities					
Statutory reserve	463	0	0	0	463
Gross premium reserve	0	0	0	0	0
Gross claims reserve	516,615	62,106	65,598	117,261	761,580
Contingency reserve	708,910	0	0	0	708,910
Pension obligations	280	0	1,137	0	1,417
Income tax payable	0	0	0	6,072	6,072
Deferred tax liability	0	0	0	0	0
Creditors arising out of direct insurance operations	1,462	53	0	0	1,515
Creditors arising out of reinsurance operations	26,059	0	0	0	26,059
Liabilities to financial institutions	0	0	0	0	0
Creditors group companies	48,898	0	0	0	48,898
Other creditors	6,965	379	276	51	7,671
Accruals and deferred income	7,574	362	724	4,855	13,515
Total liabilities	**1,317,226**	**62,900**	**67,735**	**128,239**	**1,576,100**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 16 – Financial risk continued
Amounts in USD 000's

					Parent company
					As at 20.02.11
	USD	EUR	GBP	Other	Total
Assets					
Other intangible assets	0	0	0	0	0
Property and plant used in operation	0	0	0	0	0
Investments in subsidiaries	396,337	0	0	92,051	488,388
Loan to subsidiaries	0	0	0	21,090	21,090
Investments at amortised cost	13	0	0	0	13
Portfolio investments at fair value through profit and loss	246,347	114,602	87,188	138,999	587,136
Other financial investments	0	0	0	0	0
Reinsurers' share of gross premium reserve	0	0	0	0	0
Reinsurers' share of gross claims reserve	43,003	26,176	20,567	97,224	186,970
Receivables from direct insurance operations	35,174	853	1	(200)	35,828
Receivables from reinsurance operations	0	0	0	0	0
Receivables from group companies	81,998	0	0	0	81,998
Other receivables	0	0	0	0	0
Equipment	1,356	0	0	0	1,356
Cash and cash equivalents	37,857	3,250	598	7,901	49,606
Deferred tax asset	0	0	0	0	0
Accrued income and other prepayments	6,629	0	0	73	6,702
Total assets	**848,714**	**144,881**	**108,354**	**357,138**	**1,459,087**
Liabilities					
Statutory reserve	463	0	0	0	463
Gross premium reserve	0	0	0	0	0
Gross claims reserve	162,201	98,731	77,574	366,715	705,222
Contingency reserve	637,756	0	0	0	637,756
Pension obligations	1,495	0	1,079	0	2,574
Income tax payable	0	0	0	2,889	2,889
Deferred tax liability	0	0	0	0	0
Creditors arising out of direct insurance operations	4,868	7	0	0	4,875
Creditors arising out of reinsurance operations	18,921	0	0	0	18,921
Liabilities to financial institutions	0	0	0	0	0
Creditors group companies	68,055	0	0	35	68,090
Other creditors	10,701	492	222	82	11,497
Accruals and deferred income	6,800	0	0	0	6,800
Total liabilities	**911,260**	**99,230**	**78,875**	**369,721**	**1,459,087**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 16 – Financial risk continued
Amounts in USD 000's

	Consolidated accounts				
					As at 20.02.12
	USD	EUR	GBP	Other	Total
Assets					
Other intangible assets	0	8	12,634	4,579	17,221
Property and plant used in operation	0	0	0	36,414	36,414
Investments at amortised cost	0	0	0	3,478	3,478
Portfolio investments at fair value through profit and loss	1,108,593	165,717	107,384	381,162	1,762,856
Other financial investments	7,444	0	0	33,923	41,367
Reinsurers' share of gross premium reserve	3,354	296	14	0	3,664
Reinsurers' share of gross claims reserve	189,190	10,692	2,047	4,349	206,278
Receivables from direct insurance operations	132,593	20,328	1,292	8,787	163,000
Receivables from reinsurance operations	4,221	0	0	0	4,221
Other receivables	6,190	62	21	1,009	7,282
Equipment	879	68	33	9,544	10,524
Cash and cash equivalents	99,854	11,783	11,684	72,317	195,638
Deferred tax asset	0	0	0	8,606	8,606
Other prepayments and accrued income	26,298	2,873	477	4,049	33,697
Total assets	**1,578,616**	**211,827**	**135,586**	**568,217**	**2,494,244**
Liabilities					
Gross premium reserve	137,163	17,430	3,162	0	157,755
Gross claims reserve	1,037,513	159,486	57,880	115,363	1,370,242
Contingency reserve	826,081	0	0	0	826,081
Pension obligations	280	0	3,483	33,838	37,601
Income tax payable	0	0	90	16,835	16,925
Creditors arising out of direct insurance operations	1,463	104	53	133	1,753
Creditors arising out of reinsurance operations	12,953	0	0	0	12,953
Other provisions for liabilities	0	0	0	623	623
Other creditors	30,721	1,169	643	6,678	39,211
Accruals and deferred income	24,492	2,805	525	3,279	31,101
Total liabilities	**2,070,666**	**180,994**	**65,836**	**176,749**	**2,494,244**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 16 – Financial risk continued
Amounts in USD 000's

					Consolidated accounts
					As at 20.02.11
	USD	EUR	GBP	Other	Total
Assets					
Other intangible assets	0	8	11,523	2,589	14,120
Property and plant used in operation	0	0	0	32,603	32,603
Investments at amortised cost	0	0	0	3,478	3,478
Portfolio investments at fair value through profit and loss	678,640	323,162	242,371	371,636	1,615,809
Other financial investments	18,348	0	600	28,828	47,776
Reinsurers' share of gross premium reserve	3,345	159	0	16	3,520
Reinsurers' share of gross claims reserve	37,165	22,622	17,775	84,026	161,588
Receivables from direct insurance operations	133,299	8,922	2,777	11,705	156,703
Receivables from reinsurance operations	25,250	0	0	0	25,250
Other receivables	955	506	648	3,067	5,176
Equipment	1,117	56	449	8,449	10,071
Cash and cash equivalents	156,681	28,019	15,225	45,921	245,846
Deferred tax asset	0	0	0	5,289	5,289
Other prepayments and accrued income	20,662	2,873	161	1,216	24,912
Total assets	**1,075,462**	**386,327**	**291,529**	**598,823**	**2,352,141**
Liabilities					
Gross premium reserve	109,556	22,553	2,793	11,446	146,348
Gross claims reserve	293,872	178,878	140,547	664,405	1,277,702
Contingency reserve	790,157	0	0	0	790,157
Pension obligations	1,735	0	3,086	21,043	25,864
Income tax payable	0	6	62	11,220	11,288
Creditors arising out of direct insurance operations	5,165	0	0	0	5,165
Creditors arising out of reinsurance operations	6,800	69	0	0	6,869
Liabilities to financial institutions	0	0	0	10,150	10,150
Other creditors	0	31,139	16,427	5,121	52,687
Accruals and deferred income	9,935	452	423	15,101	25,911
Total liabilities	**1,217,220**	**233,097**	**163,338**	**738,486**	**2,352,141**

Interest rate risk
Interest rate risk is the risk that the value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The term structure of interest bearing assets in the Gard group is matched to the expected duration of the liabilities. The sensitivity analysis of the bond assets of the Gard group has been modelled by reference to a reasonable approximation of the weighted average interest rate sensitivity of the investments held.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 16 – Financial risk continued

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Gard group's equity price risk exposure relates to financial instruments whose values will fluctuate as a result of changes in market prices.

The equity portfolio is broadly diversified. However, compared to a global benchmark portfolio based on market capitalisation, the equity portfolio is skewed towards emerging markets and small caps, which is expected to have a higher volatility than the global market as a whole. Through an equity programme funds are invested with active equity managers and the equity market exposure is hedged into fixed income exposures through a rolling derivative programme.

Financial instruments – sensitivity analyses

The analysis below is performed for possible movements in key market variables with all other variables held constant.

Amounts in USD 000's

	Parent company		Consolidated accounts	
	As at 20.02.12	As at 20.02.11	As at 20.02.12	As at 20.02.11
Impact on fixed income portfolio investments given an increase of 50 basis points	(5,461)	(4,264)	(19,646)	(18,454)
Impact on equity portfolio given a 10% drop in quoted market prices	(12,606)	(19,274)	(35,043)	(38,549)
Impact on total investment portfolio given a change of 10% in foreign exchange rates against USD	(14,492)	(21,350)	(51,753)	(49,001)

The sensitivity analysis assumes no correlation between equity price, interest rate, property market and foreign currency rate risk. It also assumes that all other receivables and payables remain unchanged and that no management action is taken. The Gard group has no significant risk concentrations which is not in line with the overall investment guidelines set by the company's board.

Any impact from risks tested in the table above is not, due to tax regulations, assumed to have any taxable impact.

The methods used above for deriving sensitivity information and significant variables have not changed from the previous period.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 17 – Financial derivatives at fair value through profit and loss

Financial derivatives

Financial derivatives are integrated components in the investment philosophies and processes of the Gard group's fund management. They are used for risk management, liquidity improvement, cost reduction and to optimise return within the guidelines set for the Gard group's fund management. Financial derivatives contribute to reducing the risk of the assets not being able to cover the Gard group's liabilities. The Gard group has implemented a derivative overlay programme whereby regional equity specialists are employed with mandates which have historically provided value creation from active management. The market exposure is then hedged out through equity futures contracts in order to maintain total equity market exposure within the allowed range, and simultaneously fixed income exposure is gained through interest rate swap contracts.

Investment guidelines

The key features of the Gard group's derivative guidelines are as follows:

All options must be covered. The aggregate economic exposure of the fund may not exceed one hundred per cent of the total fund's market value, i.e. there must be no leverage or gearing of any nature whatsoever of the fund. Derivatives must not be used to effect economic exposures beyond the limits set out in the fund guidelines. Any transactions in derivative instruments or of a partly paid nature, which might lead to a contingent liability undertaken for the Gard group will be subject to the restriction that sufficient cash or relevant securities must be retained to cover the full net exposure. In addition, there are minimum criteria for counter parties in derivative transactions.

Compliance monitoring

Compliance with the guidelines is monitored on an ongoing basis through the use of both internal and external resources. Even though the investment managers have internal risk analysis and compliance monitoring processes it is necessary to have independent verification based on alternative sources of data. The global custodian is therefore responsible for detailed compliance monitoring and reporting both at the overall fund level and the individual portfolio level. The investment managers are also subject to a semi-annual independent assessment of investment processes and skills to ensure that, inter alia, risk management and compliance monitoring routines are satisfactory.

Valuation and reporting

All derivative instruments are carried at independently sourced market values in accordance with the principles described under note 2. Underlying contract values represent the value of the underlying gross commitments of all open contracts.

Types of financial derivatives used during the financial year:

Forwards exchange contracts

A forward exchange contract is a contract between two parties whereby one party contracts to sell and the other party contracts to buy, one currency for another, at an agreed future date, at a rate of exchange which is fixed at the time the contract is entered into.

Interest rate options

An option is a contract in which the writer of the option grants the buyer of the option the right to purchase from or sell to the writer a designated instrument at a specific price within a specified period of time. An interest rate option can be written on cash instruments or futures, and is used to manage the interest rate and volatility exposure of the portfolio. Written options generate gains in stable rate environments, but may create obligations to buy or sell underlying securities under greater rate movements. Purchased options are used to generate gains based on interest rate forecasts.

Interest rate futures

An interest rate futures contract is a standardised agreement between a buyer (seller) and an established exchange or its clearing house in which the buyer (seller) agrees to take (make) delivery of a financial rate instrument at a specified price at the end of a designated period of time.

Interest rate swaps

An interest rate swap is an agreement between two parties to exchange periodic interest payments. In the most common type of swap, one party agrees to pay the other party fixed-interest payments at designated dates for the life of the contract. This instrument is used to change interest rate risk by changing the cash flow of fixed rate bonds to adjustable rate bonds or vice versa.

Equity index future

An equity index future contract is a standardised agreement between a buyer (seller) and an established exchange or its clearinghouse in which the buyer (seller) agrees to take (make) delivery of an amount based on an equity index at designated point in time.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 17 – Financial derivatives at fair value through profit and loss continued
Amounts in USD 000's

				Parent company
	Notional 20.02.12	Notional 20.02.11	Fair value 20.02.12	Fair value 20.02.11
Type of derivatives				
Interest rate related				
Futures	64,051	52,597	(24,927)	7,339
Options	677	4,292	0	(49)
Swaps	462,977	529,879	10,815	15,231
Total interest rate related	**527,704**	**586,767**	**(14,112)**	**22,521**
Futures offset			24,927	(7,339)
Net interest rate related			**10,815**	**15,182**
Equity related contracts				
Futures	145,593	257,184	(110,389)	(236,003)
Total	**145,593**	**257,184**	**(110,389)**	**(236,003)**
Futures offset			110,389	236,003
Net equity related	**145,593**	**257,184**	**0**	**0**
Foreign currency related				
Forward exchange contracts in other currencies than USD			(95,844)	(147,819)
USD receivables related to foreign currency contracts			93,795	141,599
Net foreign currency related*			**(2,050)**	**(6,219)**
Net financial derivatives asset			**8,765**	**8,963**

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 17 – Financial derivatives at fair value through profit and loss continued
Amounts in USD 000's

	Consolidated accounts			
	Notional 20.02.12	Notional 20.02.11	Fair value 20.02.12	Fair value 20.02.11
Type of derivatives				
Interest rate related				
Futures	150,076	101,982	(58,388)	(892)
Options	6,900	81,000	(3)	(912)
Swaps	574,898	657,625	13,508	16,764
Total interest rate related	**731,873**	**840,607**	**(44,884)**	**14,961**
Futures offset			58,388	892
Net interest rate related			**13,504**	**15,852**
Equity related contracts				
Futures	203,373	332,595	(167,481)	(311,414)
Total	203,373	332,595	(167,481)	(311,414)
Futures offset			167,481	311,414
Net equity related*	**203,373**	**332,595**	**0**	**0**
Foreign currency related				
Forward exchange contracts in other currencies than USD			(174,211)	(279,709)
USD receivables related to foreign currency contracts			175,623	271,519
Net foreign currency related**			**1,413**	**(8,191)**
Net financial derivatives asset			**14,917**	**7,662**

* The derivative overlay programme adjusted the equity allocation down by USD 167.8 million, and thereby maintained the total equity exposure at 15.5 per cent (19.2 per cent with property included) as of 20 Feb 2012.

** Financial derivative liabilities are included in other creditors. If the net foreign currency related derivative is an asset then the amount is included in other receivables. See note 19.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 18 – Receivables from direct insurance operations
Amounts in USD 000's

	Parent company		Consolidated accounts	
	As at 20.02.12	As at 20.02.11	As at 20.02.12	As at 20.02.11
Direct and received premium	3,736	3,310	15,190	22,469
Direct and received premium through broker	98	0	86,225	74,439
Accrued deferred call	44,452	33,217	58,529	42,220
Not closed premium	0	0	9,182	24,322
Claims related debtors, reinsurers	0	0	2,690	5,012
Provision for bad debts	(1,016)	(699)	(8,816)	(11,759)
Receivables from direct insurance operations	**47,270**	**35,828**	**163,000**	**156,703**

Note 19 – Other receivables and other creditors
Amounts in USD 000's

	Parent company		Consolidated accounts	
	As at 20.02.12	As at 20.02.11	As at 20.02.12	As at 20.02.11
Other receivables				
Other receivables	0	0	3,714	5,176
Foreign currency related derivative	0	0	3,568	0
Investment transactions in progress	0	0	1	0
Total other receivables	**0**	**0**	**7,282**	**5,176**
Other creditors				
Other creditors	1,748	1,833	10,801	17,695
Financial derivative liabilities	2,050	6,219	2,150	8,191
Investments transactions in progress	3,873	3,445	26,260	26,801
Total other creditors	**7,671**	**11,497**	**39,211**	**52,687**

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

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 20 – Cash and cash equivalents
Cash and cash equivalents includes bank deposits and cash in hand, of which USD 12.0 million as at 20 February 2012 is restricted cash. The company has a group account agreement and participates in a cash pool agreement. Both agreements are made with the company's main bank connection that is Nordea Bank Norge ASA. The group account agreement implies that the company can make overdrafts on individual bank accounts as long as the company's total bank deposit is positive.

Gard P. & I. (Bermuda) Ltd has an overdraft facility with Nordea Bank Norge ASA for an amount of USD 40 million. Through the cash Pool Agreement all the participating companies can make use of this overdraft facility. The cash Pool Agreement secures efficient use of the operating bank deposits through the companies' opportunities to make use of the overdraft facility on individual bank accounts accumulating up to USD 40 million in aggregate for the companies participating in the agreement. Each company participating in the cash pool agreement is jointly liable for the overdraft facility through unsecured guarantees.

Note 21 – Pensions
Gard P. & I. (Bermuda) Ltd has entered into pension contracts with former employees. These contracts are financed directly through the company's operations. The subsidiaries have entered into various pension plans with both former and present employees. The pension plans are both contribution plans and defined benefit plans. From 09.02.2009 all defined benefit related pension plans have been closed. New employees after this date become members of the defined contribution agreement. Payments to pension contribution agreements are charged to the accounts in the same period as the related salaries. The pension plans satisfy the demands according to the Norwegian Pension Act.

Defined benefit related pension plans entitle the employees to a defined level of future pension payments. Such future pension payments are mainly dependent on the number of contributory years and the salary level on retirement and are financed through an insurance scheme in a life insurance company. In addition all employees can apply for a tariff based early retirement pension (AFP) from the age of 62. As of 01.01.2011 the AFP is no longer an early retirement scheme that ends at age 67, but is a lifelong additional pension scheme you may apply for until the age of 70 years. For the employees who could choose between the two AFP regimes, born 1944-1948, Gard will maintain an offer of a contributory pension from 65 – 67 years equivalent of the AFP agreement ending in 2010. This is financed directly from the operations of the Company.

The top management coverage above 12G previously secured by a life insurance company has been closed, and paid-up policies have been issued. The company's obligation regarding these policies has been renegotiated under a new agreement with Norsk Tillitsmann Pensjon. The obligation is secured through a pledge deposit on a bank account owned by Gard AS.

For defined benefit related pension plans actuarial calculations are made with regard to pension commitments and funds at the end of the year, and resulting changes in pension obligations are charged to the profit and loss account. Any changes in the pension plan and deviations from estimates are amortised over 5 years.

GARD P. & I. (BERMUDA) LTD
Notes to the accounts

Note 21 – Pensions continued
Amounts in USD 000's

	Parent company		Consolidated accounts	
	As at 20.02.12	As at 20.02.11	As at 20.02.12	As at 20.02.11
Pension cost				
Defined benefit related pension plans				
Pension benefits earned during the year	(1,161)	0	8,539	9,281
Interest expense on earned pension	93	96	4,061	4,173
Yield on pension funds	0	0	(3,042)	(3,227)
Effect of estimation deviation	112	188	4,760	4,128
Net pension costs earning related plan	**(956)**	**284**	**14,318**	**14,355**
Pension contribution agreements	**0**	**0**	**2,960**	**2,514**
Total pension cost	**(956)**	**284**	**17,278**	**16,869**
Liabilities according to the actuarial calculations				
Pension obligation gross	(1,428)	(2,676)	(125,362)	(108,376)
Pension funds at market value	0	0	60,130	60,746
Effects on estimation deviations not charged to the profit and loss	10	102	27,631	21,766
Net pension obligation at end of year	**(1,417)**	**(2,574)**	**(37,601)**	**(25,864)**
	Per cent	Per cent	Per cent	Per cent
Financial assumptions				
Discount rate	2.60	4.00	2.60	4.00
Assumed annual salary regulation	3.50	4.00	3.50	4.00
Assumed pension increase	0.10	1.30	0.10	1.30
Assumed regulations of public pensions	3.50	3.75	3.50	3.75
Assumed yield on funds	4.10	5.40	4.10	5.40
Actual yield on funds				4.74

Note 22 – Statutory reserve
Gard P. & I. (Bermuda) Ltd is registered under and regulated by the Insurance Act 1978 and its regulations. Under these regulations the company is required to maintain USD 462,500 in statutory capital and surplus.

The company is under supervision by the Bermuda Monetary Authority (BMA) and has to be in compliance with a set of regulatory requirements. All regulatory requirements are complied with as at 20.02.12.

Note 23 – Changes in contingency reserve
Amounts in USD 000's

	Parent company		Consolidated accounts	
	As at 20.02.12	As at 20.02.11	As at 20.02.12	As at 20.02.11
Contingency reserve as at beginning of year	637,756	485,018	789,695	637,948
Total result	71,155	152,738	35,923	151,747
Contingency reserve as at end of year	**708,910**	**637,756**	**825,618**	**789,695**

GARD P. & I. (BERMUDA) LTD
P&I Policy year accounts as at 20.02.2012

Amounts in USD 000's

Policy year	2011	2010	2009	2008 Closed year
Premiums and calls				
Premiums	441,513	420,083	424,812	391,100
	441,513	**420,083**	**424,812**	**391,100**
Additional calls debited	1,081	44,258	28,995	61,827
Estimated deferred call	58,529	0	0	0
Total premiums and deferred calls	501,123	464,341	453,807	452,927
Reinsurance premiums	(91,349)	(77,906)	(75,124)	(64,960)
	409,774	**386,435**	**378,683**	**387,967**
Incurred claims net				
Claims paid	146,805	169,057	176,774	186,004
Estimates on outstanding claims	196,854	163,938	76,831	45,556
IBNRs	105,273	31,285	16,118	7,828
	448,932	**364,280**	**269,723**	**239,388**
Acquisition costs and net operating expenses	41,330	43,899	88,304	81,459
	490,262	**408,179**	**358,027**	**320,847**
Technical result	**(80,488)**	**(21,744)**	**20,656**	**67,120**

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 are credited/charged to the same policy year as the financial year in which they are brought to account.

2. The annual accounts include the 20 per cent deferred call levied for the 2011 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:

   2009 policy year USD 27.6 million
   2010 policy year USD 28.2 million
   2011 policy year USD 28.9 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 of USD 264.1 million, consists of estimated outstanding claims in the amount of USD 200.8 million and estimates for IBNR claims of USD 63.2 million.

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