MANAGEMENT REPORT
20 FEBRUARY 2010

WELCOME TO THE 2010 MANAGEMENT REPORT WHICH HIGHLIGHTS KEY ASPECTS OF OUR VALUES AND VISION; EXPERTISE, TRUST, ADAPTABILITY, ACCESSIBILITY AND SECURITY.

THE INVESTMENT IN OUR KNOWLEDGE AND EXPERTISE HAS BEEN A VITAL COMPONENT IN THE TRANSFORMATION OF THE GROUP IN THE DECADE SINCE WE BROUGHT TOGETHER THE P&I, MARINE AND ENERGY PORTFOLIOS.

Contents

Highlights

USD812m
Gross written premium on ETC basis

USD638m
General contingency reserve

USD1.9bn
Total assets

92%
Combined net ratio on ETC basis

USD240m
Surplus after tax on ETC basis

A/Stable
Standard & Poor's rating

TRUST HAS TO BE EARNED: BY DOING THE RIGHT THING WITH HONESTY, TRANSPARENCY AND RESPECT

Chairman's statement

WE HAVE CREATED A STRUCTURE THAT BETTER UTILISES THE COMBINED FINANCIAL RESOURCES OF THE GROUP TO THE BENEFIT OF MEMBERS AND CLIENTS.

There has been much commentary on the state of the global economy and its effects on the shipping industry, and little can be added from an insurance perspective that has not been well-covered in many other places. However, it is worth examining some aspects of the last 12 months because they are very pertinent to some of the changes being made at Gard.

The Platou Report 2010 estimates that tonnage demand fell by 3.3 per cent in 2009 – a more moderate fall than many would expect given the IMF's estimate of an almost 12 per cent fall in world trade. Part of this was driven by the ongoing demand for raw materials from emerging economies, especially China. Utilisation rates, when taking into account the newbuildings entering service, however fell from 90 per cent in 2008 to 81 per cent last year. Promising signs of economic revival are now very much tempered by the financial problems facing the Euro and the fiscal and financial crises in several European countries. Sustainable economic growth may require the wide-ranging government stimulus programmes to be replaced by private sector consumption and investment.

Better utilisation of group resources

Last year saw the group make a number of changes to its corporate structure. The overarching strategic imperative was to create a more linear model by shifting the centre of gravity for capital and governance to Bermuda, while retaining our Norwegian traditions of technical and professional expertise. Gard Bermuda has become the parent company of the group and a legal platform has been established for presenting consolidated accounts for the whole group including the results of both Gard Bermuda and Assuranceforeningen Gard – gjensidig (Gard Norway).

Previously Gard Norway insured the bulk of the P&I business with eighty-five per cent of its retained risk then ceded to Gard Bermuda under a quota share reinsurance agreement. The Members of Gard Norway are automatically Members of Gard Bermuda, thus making the two associations 'sisters'. At the meetings held in Athens in October 2009 the boards of directors of the two Clubs agreed to transfer a major part of the direct P&I business from Gard Norway to Gard Bermuda, with effect from the beginning of the 2010 policy year.

The principal reason for the change is to create a structure that better utilises the combined financial resources of the companies within the group to the benefit of Members and clients, and the effect of this shift is to bring a larger proportion of the policy holders closer to the financial centre of gravity in the group. Gard Bermuda now writes the bulk of what was Gard Norway's direct business through a Norwegian branch. In addition, on 22 February we completed the incorporation of Gard Re in Bermuda, a captive that reinsures both Gard P&I and Gard M&E.

A changing legislative environment

In addition to the difficult economic climate, the shipping industry also faces legislative changes that create ongoing uncertainty. It is likely that new regulations will be introduced for CO_2 emissions from ships in the near future, despite the lack of formal agreements being adopted in Copenhagen in December 2009.

Of more immediate concern is pending legislation in the United States under which sanctions could be imposed against both domestic and foreign entities "underwriting or otherwise providing insurance or reinsurance..." for "any activity that could contribute to the enhancement of Iran's ability to import refined petroleum resources". The effect could be to prohibit insurance cover for any vessel(s), regardless of country of flag, registry or beneficial ownership, trading refined products into Iran. Sanctions could be imposed against individuals and companies, as well as officers and directors of companies involved in prohibited activities.

In anticipation of possibly widespread problems arising from this legislation, we felt it necessary to amend the Rules of the Associations to broaden the current termination of cover provisions. The overriding objective is to protect the Club from being caught by the proposed sanctions, if and when they come into force. The consequences of being subject to the sanctions may be serious and may affect the quality and efficiency of the services we are offering our Members. Shipping is an international business and Gard's aim is to provide cost effective risk management and insurance cover for the industry within the national and supranational legal framework with which Gard must comply.

Piracy generally, and especially off the coast of Somalia, continues to be a cause for concern. The major industry organisations, including the International Group of P&I Clubs, have in consultation with supra-national naval forces, produced a "Best Management Practice" to deter piracy off the coast of Somalia and the Arabian Sea Area. Providing guidance to shipowners, masters and seafarers intending to pass through these sea areas, it is updated as and when appropriate. Despite some encouraging signs of a greater willingness to detain and prosecute pirates, the continuing lack of the consistent application of the existing international jurisdictional framework to deal with piracy often leaves ship owners whose vessels have been hijacked with no alternative but to pay a ransom to secure the safe return of the crew, ship and property on board. Although after the end of our financial year, the US Executive Order of 13 April could affect the legality of ransom payments under US law in certain circumstances. Although this is not its prime intention, the impact of the order remains unclear. Gard continues to assist our Members in their efforts to deter piracy and to protect the life and safety of crew where possible.

As we mark a decade since we began to operate as a provider of multi-product risk management products to the maritime industry, I would like to pay particular thanks to all of the members of our committees and boards for the contribution they have made to this transformation of Gard. The passage of time makes one forget how bold it seemed to take control of both the underwriting capital and the service company. As our knowledge and experience have grown, they give us confidence to take control of many activities that had previously been furnished by third party providers; whether that was reinsurance purchasing, the Common Contractual Fund or managing our Bermudan entities.

Achieving the right results has given Members confidence in the group's ability to deliver. Good ideas have been given support and the group has been given the leeway to develop. I know that I also speak for all of our Members and clients when I pay tribute to the hard work of the management and staff which has been vital to the group's development. Looking forward, our core purpose remains to help our Members and clients to mange risk and its consequence, and over the next ten years we can only hope to continue this track record of stability and success.

Stephen Pan
Chairman

Chief Executive's statement

> TEN YEARS AGO PEOPLE SAID 'WHY', NOW THEY SAY 'WHY NOT' – WE THINK DIFFERENTLY ABOUT WHAT WE DO AND WHERE WE WANT TO GO.

This year is the 10th anniversary of the launch of Gard Services – the creation of which was a transformational step for the group. Looking back across the years, there is no doubt that we have undertaken an exciting journey over the last decade, and that our position today provides compelling evidence that the combination of P&I and marine has proved a success.

The journey has featured many achievements: providing a broad product offering, the realisation of operational synergies: the creation of first-class risk management systems, a single underwriting organisation and a fully-owned global network. No part of the group has remained untouched by the change, and change remains our constant companion.

We are pleased to report that for the 2009 financial year we made a surplus after tax of USD 240 million on ETC basis, reduced the deferred call for the 2009 policy year by USD 40 million, and increased our free reserves to USD 638 million. Our assets now total USD 1.9 billion. The year saw solid results across all areas of the group's operations. Our insurance operations performed very well with a combined ratio across the group of 92 per cent on ETC basis, demonstrating a strong underwriting discipline, a benign claims environment and the strengthening of our reserves. The recovery in the financial markets meant that asset values improved significantly and our investment return was 19 per cent.

A strong proposition for customers

The group has had a good year and delivered results that were better than expected and, within the insurance operations, strong results were delivered by P&I mutual and marine. Overall gross written premium was USD 812 million on ETC basis. The P&I mutual book now has 131 million gt on the books; this ongoing growth underlines the trust our Members have in the Gard operation. In our marine book we had budgeted for a decline in premium and – while income was down – the final numbers were better than planned. Last year, the energy market also saw some attempts to increase prices, but to little effect. The DEEPWATER HORIZON casualty in April 2010, in addition to the increased costs of pollution liabilities, could turn the market significantly.

In their first full year of working together our combined teams of underwriters – organised by segment and function – delivered an increase in the volume of business. A continued focus on improved pricing and risk selection, as well as creating solutions that meet our customers' needs, is key to the strength of our underwriting performance.

The claims environment remained benign, with the decline in utilisation rates for most shipping segments around the world keeping costs down. However, there is no room for complacency as the claims picture has already started to normalise.

First-class security

Financial strength that stands the test of time is one of the pillars on which our business is built, and it is fundamental to our ability to support our Members and clients. During 2009, we started taking active steps to ensure that our investment portfolio reflected the changing environment and we have now 'de-risked' the portfolio – reducing the strategic allocation to equities and, to a lesser degree, increasing the exposure to corporate debt and real estate.

In June 2009, Standard & Poor's lowered its long-term counterparty credit and insurer financial strength ratings on Gard Bermuda and its related core entities to A (stable) – which is still the highest rating in the marine mutual market. The downgrade focused solely on its view of the appropriate level of investment risk. While we agreed on the issue of de-risking, and indeed took appropriate steps to deal with this issue, we did disagree on timing and degree. We are comfortable with our decisions and are happy with the actions we took in our investment portfolio – both before and after the rating decision.

We continue to focus on ensuring that we understand the risk in our portfolio and operations. For this reason the next version of our risk capital model is under development, and the new platform has much greater flexibility so that developments arising from changes to our legal set-up or portfolios can be more easily incorporated. We have also been working on a new methodology for calculating reserve requirements. By adapting more actuarial models we now have increased confidence in the results, and that they are in line with the requirements for Solvency II.

Last year also saw a particular focus on receivables – in terms of premiums and reinsurance. As well as being good housekeeping, the tough economic conditions being faced by many of our Members and clients means that this is of particular importance. The results of this has been positive for the group.

Breadth and depth of support

This year we have also invested in our global resources. We increased the number of underwriters in Hong Kong; strengthened our office in Greece with the recruitment of three new senior staff there (two claims handlers and a defence lawyer): and appointed a new managing director in Tokyo. All of these are important markets for us, and ones in which we have been steadily increasing our market share in recent years. We hope that by growing the resources available to our Members and clients we will be able to offer greater breadth and depth of support.

In January 2010, we also launched a new version of our website at www.gard.no. The knowledge and expertise that is contained within Gard is almost impossible to calculate, and when you see it demonstrated – for example at our annual Summer Seminar – it is very impressive. We wanted the site to become a space that we can use to reach beyond our physical barriers to communicate experience and expertise – through word, sound and pictures – to a range of audiences around the globe.

Delivering results

These are all positive developments for everyone involved with Gard, but our efforts over the coming months and years will be firmly focused on the future and meeting the many challenges – big and small – that will undoubtedly affect us all.

Ten years ago people asked 'why' – now they say 'why not'. It is this mind set, underpinned by analysis, measurement and controls, that makes us think differently about what we do and where we want to go. Looking back is how we learn, looking forward is how we deliver.

Claes Isacson
Chief Executive Officer

ADAPTABILITY IS VITAL TO RESPOND TO THE CHANGING BUSINESS REALITIES OF OUR MEMBERS AND CLIENTS

Underwriting

> WE ARE CONFIDENT THAT OUR NEW STRUCTURE WILL CONTRIBUTE ENORMOUSLY TO THE DEVELOPMENT OF OUR PROFESSIONALISM, CLIENT FOCUS AND EFFICIENCY.

93%
Combined ratio net P&I on ETC basis

91%
Combined ratio net M&E

The 2009 policy year was the first year of operation for our new underwriting organisation, which consists of a merger of the P&I and marine & energy underwriting teams.

Spring and summer of last year saw us undertake a series of internal and external initiatives to ensure that we had the right skills and processes in place to deliver the new service. Internally, a series of 'campus' training courses were held to share technical expertise and practical experience between underwriters. In addition, our specialist functions – market research and analysis, products, technical underwriting, and documentation and support – were all brought up to full strength in terms of resourcing, and a new data warehouse was created so that client data could be collated in order to deliver an overview across teams and products. Having this specialist level of support is invaluable and will be key to the success of the new organisation.

Externally, we spent considerable amounts of time introducing the new structure to Members, clients and brokers, describing what it meant for them in terms of relationships and working together in the future. This culminated in a busy autumn when our geographic teams for shipowners and charterers – as well as those concentrating on industry segments such as energy, offshore, trader charterers, small craft and marine builders' risks – undertook a full programme of visits ahead of the renewals.

We are confident that the new structure will contribute to further developing our professionalism, client focus and efficiency. Our underwriters have quickly adapted to the new ways of working and are enjoying the professional and personal challenges with which they are being presented. We fully intend to learn from the experience that we gained last year and the department will work together to feed back ideas as to what could work more effectively. We will then prioritise the lessons learned in order to move forward.

P&I

Claims development for P&I was better than expected for the year – both in terms of frequency and severity – although it showed a moderate increase compared to the particularly low claims level for the 2008 policy year.

In terms of volume, the book grew marginally over the year, increasing by around 5 per cent. Given the slowdown in the maritime industries overall, this result was a good one. This positive volume increase – despite our conservative risk assessment strategy for new business – underlines the trust that our Members have in the Gard operation.

USD489m
Gross written premium on ETC basis – P&I

USD323m
Gross written premium – M&E

The announcement by the Club that there would be no general increase for the 2010 policy year generated a great deal of goodwill and positive comments across a range of markets. This was a key factor in the renewals, which met the targets for premium development and deductibles for the existing portfolio. Close to 99 per cent of the mutual tonnage renewed, showing a strong commitment from our existing Members, and in addition there was positive tonnage growth, achieved by gaining quality tonnage from both existing and new Members.

The market for charterer's liability and P&I for mobile offshore units (MOUs) was extremely tough, with strong competition from other Group Clubs and fixed premium facilities, which challenged our position as market leader. This led to a slightly higher turnover in the portfolio than previous years. However, Gard remains the absolute market leader in these segments.

Marine

There is no doubt that the economic troubles in the industry – double digit falls in hull values and day rates – were felt in the marine insurance market last year. In anticipation, we budgeted for a decline in premium income for 2009/10.

Capacity in this market has remained broadly steady for the last 12 months – with entries and exits of underwriters balancing each other out. The claims trend, which had seen a deterioration in 2008 leading to the market hardening, reversed in the first half of the 2009 financial year and we saw a much more benign picture. However, by the autumn, levels of claims had normalised and come back into line with the increased activity in shipping.

Renewals for hull & machinery were flat, and the trend was 'as expiry' on loss-free accounts. However, in cases where there was a poor casualty record, increases in rates were achieved. In terms of performance overall, it is hard to generalise because different sectors were affected by different factors – day rates, repair costs, yard space and raw materials all impact various parts of the portfolio differently.

Energy

In contrast to the marine market, prices in the energy market have tended to be more market- and event-driven over the past few years. In the aftermath of Hurricane Ike, prices rose sharply. However, a combination of new capacity and the absence of any further catastrophes took the pressure off prices, and further softening was only prevented by a rise in attritional losses towards the end of the 2009 calendar year. This meant the market was flat until the start of 2010, when increased underwriting capacity and appetite for energy risks forced prices downwards again.

Although catastrophic events were rare, the year was dominated by a growing list of attritional losses – even in new units and equipment – fuelled by the expansion that the industry has undergone in recent years.

This deteriorating loss record was then exacerbated when a well on the Montara offshore oil field blew out, as a new well was being drilled by the WEST ATLAS mobile drilling rig. This is the type of high-profile case that reminds clients that insurance is important, although it is not a market-turning event like a US windstorm. The combination of these losses held back a further softening of rates for a short while.

However, in both MOUs and traditional offshore risks, we are seeing the entrance of new underwriters and increasing capacity. By the year-end, their eagerness for new premium had driven prices 5-10 per cent lower. This shift meant that we took a hard look at the market to decide what tactics to deploy to meet these changing conditions. We are pleased to say that we have attracted a number of new clients during the year, and were successfully appointed to the leadership panel for several significant accounts.

ACCESSIBILITY IS NOT JUST PHYSICAL – IT IS ALSO ABOUT ATTITUDES AND CULTURE

Claims

CLAIMS DEVELOPMENT HAS BEEN HEALTHY ACROSS ALL AREAS, ALLOWING US TO FOCUS ON BUILDING THE BEST POSSIBLE ORGANISATIONAL FRAMEWORK.

USD 335m
Claims cost net P&I

USD 193m
Claims cost net M&E

Delivering world-class claims handling is central to Gard's core purpose and our long-term success. Achieving this requires constant focus on developing our own skills; understanding our clients' problems; and operational efficiency. In addition, it requires that we build the best possible organisational framework for the more than 160 claims experts that we employ.

Therefore, in order to take an important step forward in our strategic journey, we started a project focusing on claims during the 2009 policy year. The steering committee for this crucial project, which is headed by Claes Isacson, is focusing on:

- Creating a better understanding of current practices through statistical analysis, closed file reviews and internal workshops.
- Defining best practices for the various claims types. Closed file reviews are also an important part of this process.
- Evaluating our current claims platform.

Work on this project has already yielded results. The analyses carried out so far have revealed a number of areas where we can improve our performance – for example, by creating dedicated units for some specialised client groups. Therefore, as a first step, we have already created a separate charterers traders claims team which can handle both P&I and Defence matters for this industry segment.

Claims development during the last year has been healthy across all business areas. This relative stability – which is unlikely to last – has allowed us to focus on resolving outstanding claims.

P&I

Overall, the P&I claims picture for the 2009 policy year was good, with severity down – especially for the last quarter. The frequency of claims was also down compared to previous years – by just over 10 per cent – a trend which was particularly apparent in cargo claims.

Despite this, there were a number of serious collisions – some tragically involving loss of life. This demonstrated that less active shipping markets are no guarantee against onboard errors. Other examples were bunker oil spills in the US and China, and the WEST ATLAS case, which involved wreck removal. Our Members also continued to be affected by the ongoing issue of piracy.

The rather embattled state of the shipping industry meant that during the year we saw more arguments over relatively small amounts of money, making pending cases rather more active as staff had to do more work on them. The tough environment also meant that claimants were keen to ensure that they had security for a claim.

On a more positive note, there were some good developments in that several older claims were settled and closed at the levels for which they were reserved.

Defence

2008 was the busiest year on record for Defence claims, and it was hoped that 2009 would be quieter. However, the year ended with almost the same number of claims as the preceding year, although we are pleased to say that, despite the sustained frequency, our exposure increased only marginally. Nevertheless, we found that claims were generally larger and more complex, reflecting the fact that during tough times in the shipping industry, Members look for more help and support from their Defence insurance than ever.

We also saw the type of claims crossing our desks reverting to a more normal pattern. The credit crisis had given rise to more problems arising out of cancellations and bankruptcies, and now we are seeing the usual contractual disputes – although the amounts of money involved have increased substantially. The demise of the Rule B Attachment in New York has also increased Defence costs as it is now necessary to resort to the more traditional methods of asset searching, which is both costly and time-consuming. Nevertheless, we had a number of good results on cases, either through favourable court/arbitration rulings or via settlements, thereby enabling us to make substantial cost recoveries.

We were pleased to welcome new members to our teams in Arendal, London and Piraeus. In the case of the latter, the 2010 policy year will be the first in which we are able to offer our Defence service locally in Greece.

Marine

We are pleased to say that the marine claims picture for the 2009 policy year was good, with three strong quarters and one average quarter. There was a decrease in the number of claims in 2009 compared to 2006/7 and 2008, although total costs stayed the same, making the average for each claim higher.

We did have some significant casualties involving a combination of hull & machinery and loss of hire claims, although unlike the P&I book, collisions and contact damage featured less heavily. On a more positive note, we had several successful recoveries during the year.

In terms of types of claims, the largest reduction was in hull & machinery, while loss of hire was stable, even though we might have expected to see claims increase since shipowners would not have been in a rush to get vessels back in service. There was also a reduction in navigational claims, while engine claims remained steady.

In terms of types of vessel, tankers and containers saw fewer casualties, especially in the non-lead portfolio, and in terms of types of claims, the most visible reduction was in hull claims, which now account for around 50 per cent of accidents, down from a historical trend of around 60 per cent.

There were also positive developments in the cost of repairs, with steel prices down at levels not seen for some time, and repair yard availability improved, partly due to cancellations of newbuilding orders.

Energy

The final quarter of the 2009 policy was a good quarter for claims – with an absence of any major losses in energy, construction or marine builders' risks – which helped to make up for earlier quarters, when casualties such as the WEST ATLAS had negatively affected the results.

The WEST ATLAS case involved a blowout on 21 August and a subsequent fire on the Montara wellhead platform in the Timor Sea, off Australia's north-west coast. The drilling unit was severely damaged and was finally declared a constructive total loss.

There were also several other notable losses during the year, including a semi-submersible drilling unit caught in a typhoon in the South China Sea. It was unable to withstand the storm winds and currents and grounded its sub sea equipment, which was hanging deep under the unit.

In terms of trends, the claims picture in energy underwent a shift during the year, with a number of claims emerging both from well-servicing and the offshore rigs themselves. The latter saw collisions and blow-outs resulting in physical damage and business interruption claims.

Loss prevention and risk assessment

Gard's ongoing loss prevention activities continued to receive positive feedback from clients during 2009. On average we distribute some form of information every two weeks to Members and clients – reinforcing our position as a market leader in this type of information sharing. In particular, our contributions to client seminars, written loss prevention circulars, and monthly case studies for onboard safety meetings were well received.

In the first half of the year, we saw a fall in the number of entry surveys – primarily due to the reduction of vessels entering the Club that were more than 12 years old. Our LPRA team therefore was able to undertake more condition surveys. In consultation with the underwriting and claims staff, we continued to target ship categories that are considered high risk, both from a safety and claims frequency/severity perspective.

In April 2010, Gard launched an inspection campaign that focused on ships trading along the Norwegian coast. This was done as a result of several serious incidents involving local vessels. Within Gard, we also selected 20 vessels for inspection, with a view to getting an overview of the quality of the Norwegian-flagged fleet covered by Gard on P&I.

Finally, we recently released new guidance on stowaways, which we wrote with assistance from the PIC department. On the hull & machinery side, navigation related cases account for 60 per cent of the most costly accidents. Therefore we are planning a navigation campaign during autumn 2010, which will involve distributing navigation-related case studies and best practice guidance.

50%

Hull claims account for half of all accidents

60%

of H&M claims from navigational errors

FINANCIAL STRENGTH DELIVERS STABILITY, PREDICTABILITY AND SECURITY – EVEN IN TURBULENT TIMES

Auditor’s report

To Lingard Ltd
We have audited the accompanying combined consolidated financial statements prepared from the consolidated accounts of Assuranceforeningen Gard – gjensidig – and the accounts of Gard P&I (Bermuda) Limited for the year ended February 20, 2010. We have also audited the consolidated accounts of Assuranceforeningen Gard – gjensidig – and the accounts of Gard P&I (Bermuda) Limited. The preparation and presentation of the combined financial statements is the responsibility of Lingard Ltd. Our responsibility is to express an opinion on the combined consolidated financial statements.

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

In our opinion, the combined consolidated financial statements present fairly, in all material respects, the financial position of the two Associations as of February 20, 2010 and their revenues and expenses for the year then ended, in accordance with the basis of accounting described in the notes to the combined consolidated financial statements.

Arendal, May 31, 2010

Ernst & Young AS
Jan Dønvik

Gard P&I and M&E
Combined consolidated income and expenditure accounts

All amounts are stated in USD 000's

For the year to	Notes	Gard P&I 20.02.10	Gard P&I 20.02.09	Gard M&E 20.02.10	Gard M&E 20.02.09	Combined consolidated accounts 20.02.10	Combined consolidated accounts 20.02.09
Technical account - General business							
Income							
Premiums written gross on ETC basis*		489,055	460,158	322,514	335,626	811,569	795,784
Premiums written gross		447,598	460,158	322,514	335,626	770,112	795,784
Premiums earned gross	2	419,960	398,196	318,295	340,616	738,255	738,812
Estimated deferred call	2	27,638	61,962	0	0	27,638	61,962
Total premiums earned gross		447,598	460,158	318,295	340,616	765,893	800,774
Reinsurance premiums earned		(69,899)	(66,436)	(36,181)	(33,402)	(106,080)	(99,838)
Premiums earned net	A	**377,699**	**393,722**	**282,114**	**307,214**	**659,813**	**700,936**
Expenditure							
Claims costs net**	3	334,627	256,962	192,527	178,665	527,154	435,627
Operating expenses net	4	54,519	42,818	64,160	65,526	118,679	108,344
	B	**389,146**	**299,780**	**256,687**	**244,191**	**645,833**	**543,971**
Balance on general business technical account	A-B=C	**(11,447)**	**93,942**	**25,427**	**63,023**	**13,980**	**156,965**
Non-technical account							
Investment income	5	111,608	(198,334)	99,903	(80,698)	211,511	(279,032)
Exchange (loss)/gain		(9,612)	(678)	842	(6,953)	(8,770)	(7,631)
Investment management expenses		(3,653)	(3,474)	(3,704)	(2,712)	(7,357)	(6,186)
Taxation	6	(2,739)	(12,971)	(6,053)	(1,222)	(8,792)	(14,193)
Balance on non-technical account	D	**95,604**	**(215,457)**	**90,988**	**(91,585)**	**186,592**	**(307,042)**
Excess of income over expenditure	C+D=E	84,157	(121,515)	116,415	(28,562)	200,572	(150,077)
General contingency reserve at beginning of period	F	394,100	515,615	36,308	64,870	430,408	580,485
Currency exchange gain on consolidation of subsidiaries		4,285	0	3,146	0	7,431	0
Dividend		75,000	0	(75,000)	0	0	0
General contingency reserve at end of period	E+F=G	**557,542**	**394,100**	**80,869**	**36,308**	**638,411**	**430,408**
Combined Ratio Net (CRN) on ETC basis		93%	76%	91%	79%	92%	78%
Combined Ratio Net (CRN)		103%	76%	91%	79%	98%	78%

* The deferred call for the 2009 policy year has been reduced by USD 40 million, i.e. compared with the Estimated Total Call (ETC) basis, the premium and result have been reduced accordingly

** Claims handling costs share of Operating expenses net are included in Claims costs net

Gard P&I and M&E
Combined consolidated balance sheet

All amounts are stated in USD 000's

	Notes	Gard P&I As at 20.02.10	Gard P&I As at 20.02.09	Gard M&E As at 20.02.10	Gard M&E As at 20.02.09	Combined consolidated accounts As at 20.02.10	Combined consolidated accounts As at 20.02.09
Assets							
Intangible assets	6	17,467	15,262	0	0	17,467	15,262
Investments	7, 13	858,002	483,712	489,707	420,435	1,347,709	904,147
Due from clients		4,295	4,595	125,612	120,288	129,907	124,883
Due from reinsurers		819	5,708	16,913	16,148	17,732	21,856
Accrued deferred call	8	27,638	61,962	0	0	27,638	61,962
Sundry debtors	9	44,408	21,228	34,793	21,021	70,146	40,775
Investments in subsidiary	10	190,000	190,000	0	0	0	0
Real property and fixed assets	11	38,443	31,946	0	0	38,443	31,946
Bank balances		170,447	330,810	71,896	108,018	242,343	438,828
Accrued income		7,628	7,867	19,515	19,247	27,143	27,114
Total Assets		**1,359,147**	**1,153,090**	**758,436**	**705,157**	**1,918,528**	**1,666,773**
Liabilities							
Owner's equity							
Shares				190,000	190,000		
Profit and loss account				80,869	36,308		
Total equity				**270,869**	**226,308**		
Technical reserves							
Unearned premium reserve for own account		0	0	156,053	147,639	156,053	147,639
Provision for outstanding and unreported claims		729,816	698,776	315,270	321,387	1,045,086	1,020,163
General contingency reserve		557,542	394,100	0	0	638,411	430,408
Balance available for outstanding and unreported claims		1,287,358	1,092,876	471,323	469,026	1,839,550	1,598,210
Sundry creditors	12	71,789	60,214	16,244	9,823	78,978	68,563
Total Equity and Liabilities		**1,359,147**	**1,153,090**	**758,436**	**705,157**	**1,918,528**	**1,666,773**

Reconciliation of excess of income over expenditure from net cash flow from operating activities

All amounts are stated in USD 000's

	Gard P&I		Gard M&E		Consolidated accounts	
For the years to 20 February	2010	2009	2010	2009	2010	2009
Excess of expenditure over income before taxation	86,896	(108,544)	122,468	(27,340)	209,364	(135,884)
Depreciation of tangible and intangible assets	7,972	2,497	0	3,930	7,972	6,427
Decrease/(Increase) in accrued deferred call	34,324	(7,203)	0		34,324	(7,203)
(Increase)/Decrease in debtors	(17,991)	8,918	(19,861)	4,975	(37,852)	13,893
Decrease/(Increase) in accrued income	239	(1,316)	(268)	(381)	(29)	(1,697)
Increase/(Decrease) in technical provisions	31,040	(22,011)	2,297	(65,400)	33,337	(87,411)
Increase/(Decrease) in creditors	7,635	(25,663)	(3,994)	4,880	3,641	(20,783)
Net cash flow from operating activities	**150,115**	**(153,322)**	**100,642**	**(79,336)**	**250,757**	**(232,658)**

Cash flow statement

Net cash flow from operating activities	150,115	(153,322)	100,642	(79,336)	250,757	(232,658)
Taxation paid	(1,245)	(542)	(502)	(1,222)	(1,747)	(1,764)
Dividend received/(paid)	75,000	0	(75,000)	0	0	0
Currency effects	4,285	0	3,146	0	7,431	0
	228,155	**(153,864)**	**28,286**	**(80,558)**	**256,441**	**(234,422)**

Cash flows were invested as follows

(Decrease)/Increase in cash holding	(160,363)	153,005	(40,986)	37,369	(201,349)	190,374
Increase/(Decrease) in portfolio investments	374,290	(304,941)	69,272	(117,927)	443,562	(422,868)
Increase/(Decrease) in real property and fixed assets	14,228	(1,928)	0	0	14,228	(1,928)
	228,155	**(153,864)**	**28,286**	**(80,558)**	**256,441**	**(234,422)**

Notes to the combined consolidated accounts

Note 1 - Accounting policies

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

(II) Consolidated accounts
The Bermuda Associations' consolidated accounts incorporate the accounts of the wholly owned:

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

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

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

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

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

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

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

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

As at 20 February		2010 USD 1 equals	2009 USD 1 equals
BRL	Brazilian Real	1.8132	2.3913
CNY	Chinese Yuan Renminbi	6.8330	6.8372
EUR	Euro Currency Unit	0.7400	0.7927
GBP	Pound Sterling	0.6486	0.6981
HKD	Hong Kong Dollar	7.7671	7.7543
JPY	Japanese Yen	91.9850	94.1600
NOK	Norwegian Krone	5.9891	6.8998
SGD	Singapore Dollar	1.4134	1.5373

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

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

(VIII) Technical reserves
The Provision for unearned premium comprises of the unearned portion of premiums relating to the period after the end of the financial year.

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

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

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

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

(XI) Fixed assets, Goodwill and depreciation
Fixed assets and Goodwill are stated at historical cost after depreciation. The depreciation rate is calculated on the basis of historical cost and the estimated economical lifetime of the asset.

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

Notes to the combined consolidated accounts continued

Note 2 - Premiums earned gross

All amounts are stated in USD 000's

For the years to 20 February		Gard P&I 2010	Gard P&I 2009	Gard M&E 2010	Gard M&E 2009	Consolidated accounts 2010	Consolidated accounts 2009
Mutual premiums							
Owners' entries							
Premiums		285,739	262,283	0	0	285,739	262,283
Estimated deferred call		26,565	59,556	0	0	26,565	59,556
Defence entries							
Premiums		9,985	11,047	0	0	9,985	11,047
Estimated deferred call		1,074	2,406	0	0	1,074	2,406
	A	**323,363**	**335,292**	**0**	**0**	**323,363**	**335,292**
Fixed premiums							
Mobile offshore unit entries		56,994	47,433	0	0	56,994	47,433
Charterers' entries		53,677	63,295	0	0	53,677	63,295
US oil pollution premiums		5,703	7,266	0	0	5,703	7,266
Defence entries		7,861	6,872	0	0	7,861	6,872
Marine		0	0	224,047	240,066	224,047	240,066
Energy		0	0	94,248	100,550	94,248	100,550
	B	**124,235**	**124,866**	**318,295**	**340,616**	**442,530**	**465,482**
Total	A+B	**447,598**	**460,158**	**318,295**	**340,616**	**765,893**	**800,774**

Note 3 - Claims costs net*

All amounts are stated in USD 000's

For the years to 20 February		Gard P&I 2010	Gard P&I 2009	Gard M&E 2010	Gard M&E 2009	Consolidated accounts 2010	Consolidated accounts 2009
Claims paid gross							
Claims		312,676	270,309	265,939	262,462	578,615	532,771
Other Clubs' Pool claims		22,766	21,431	0	0	22,766	21,431
	A	**335,442**	**291,740**	**265,939**	**262,462**	**601,381**	**554,202**
Reinsurers' share							
From the Pool		27,391	8,435	0	0	27,391	8,435
Market underwriters		4,047	1,405	62,345	35,726	66,392	37,131
Other P&I Associations		418	2,927	0	0	418	2,927
	B	**31,856**	**12,767**	**62,345**	**35,726**	**94,201**	**48,493**
Claims paid net	A-B=C	**303,586**	**278,973**	**203,594**	**226,736**	**507,180**	**505,709**
Change in provision for gross claims							
Provision carried forward		760,027	682,217	349,597	389,613	1,109,624	1,071,830
Provision carried forward - Other Clubs' Pool Claims		112,211	102,217	0	0	112,211	102,217
Provision brought forward		(682,217)	(664,089)	(389,613)	(487,807)	(1,071,830)	(1,151,896)
Provision brought forward - Other Clubs' Pool Claims		(102,217)	(94,673)	0	0	(102,217)	(94,673)
	D	**87,804**	**25,672**	**(40,016)**	**(98,194)**	**47,788**	**(72,522)**
Less movement in provision for reinsurers' share							
Provision carried forward		(142,422)	(85,659)	(34,327)	(68,226)	(176,749)	(153,885)
Provision brought forward		85,659	64,003	68,226	107,988	153,885	171,991
	E	**(56,763)**	**(21,656)**	**33,899**	**39,762**	**(22,864)**	**18,106**
Change in provision for claims management costs	F	0	(26,027)	0	0	0	(26,027)
Currency valuation - Reserves	G	0	0	(4,950)	10,361	(4,950)	10,361
Changes in claims provision net	D+E+F+G=H	**31,041**	**(22,011)**	**(11,067)**	**(48,071)**	**19,974**	**(70,082)**
Claims costs net*	C+H	**334,627**	**256,962**	**192,527**	**178,665**	**527,154**	**435,627**

* Claims handling costs share of Operating expenses net are included in Claims costs net

Notes to the combined consolidated accounts continued

Note 4 - Operating expenses

All amounts are stated in USD 000's

	Gard P&I		Gard M&E		Consolidated accounts	
For the years to 20 February	2010	2009	2010	2009	2010	2009
Administrative expenses	35,559	24,271	37,800	34,630	73,451	58,901
Commission earned net	18,960	18,547	26,360	30,896	45,320	49,443
Operating expenses net	54,519	42,818	64,160	65,526	118,771	108,344
Claims handling costs	33,770	25,670	4,601	4,586	38,371	30,256
Investment management expenses	3,653	3,474	3,704	2,712	7,357	6,186
Operating expenses total	**91,942**	**71,962**	**72,557**	**72,824**	**164,499**	**144,786**
a) Operating expenses include:						
Wages and salaries	39,728	33,774	0	0	39,728	33,774
Social security costs	8,249	5,520	0	0	8,249	5,520
Remuneration of Committee and Executive Committee	240	682	0	0	240	682
Pension contributions	14,924	8,194	0	0	14,924	8,194
Auditors' fees - audit services	407	374	127	79	534	453
Auditors' fees - non audit services	33	73	274	2	307	75
Depreciation	8,031	2,497	0	3,930	8,031	6,427

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 2010. The Ratio of 11.8 per cent (11.6 last year) has been calculated in accordance with the Schedule and the guidelines issued by the International Group and is consistent with the relevant Financial Statements.

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

Note 5 - Investment income

All amounts are stated in USD 000's

	Gard P&I		Gard M&E		Consolidated accounts	
For the years to 20 February	2010	2009	2010	2009	2010	2009
Interest earned	26,202	13,754	19,764	17,059	45,966	30,813
Dividends	6,787	12,543	3,731	5,116	10,518	17,659
Profits less losses on realisation of investments	(74,099)	(64,607)	(12,516)	(30,592)	(86,615)	(95,199)
Change in difference between cost and market value of investments	152,718	(160,024)	88,924	(72,281)	241,642	(232,305)
Total	**111,608**	**(198,334)**	**99,903**	**(80,698)**	**211,511**	**(279,032)**

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

Notes to the combined consolidated accounts continued

Note 6 - Intangible fixed assets and deferred tax benefit

All amounts are stated in USD 000's

	Gard P&I	Gard M&E	Consolidated accounts
Specification of intangible fixed assets			
Cost as at 21 February 2009	22,129	0	22,129
Change in cost due to exchange rates	3,365	0	3,365
Net purchases in the year	4,279	0	4,279
Cost as at 20 February 2010	29,773	0	29,773
Accumulated depreciation and write down as at 21 February 2009	10,469	0	10,469
Change in depreciation due to exchange rates	1,593	0	1,593
Charge for the year	5,292	0	5,292
Accumulated depreciation and write down as at 20 February 2010	17,354	0	17,354
Net book value as at 20 February 2010	**12,419**	**0**	**12,419**

The company applies a linear depreciation plan of 5 years

	Gard P&I	Gard M&E	Consolidated accounts
Deferred tax benefit			
Opening balance as at 21 February 2009	3,602	0	3,602
Change due to exchange rates	548		
Change in the period	898	0	898
Closing Balance as at 20 February 2010	**5,048**	**0**	**5,048**
Taxation expenses			
Income taxes payable	2,852	5,551	8,403
Paid witheld tax on dividends received	785	502	1,287
Changes in deferred tax benefit	(898)	0	(898)
Taxation expenses	**2,739**	**6,053**	**8,792**

Note 7 - Investments

All amounts are stated in USD 000's

As at 20 February		Gard P&I 2010	Gard P&I 2009	Gard M&E 2010	Gard M&E 2009	Consolidated accounts 2010	Consolidated accounts 2009
Portfolio investments							
Net equities at market value		186,707	211,493	102,227	97,267	288,934	308,760
Net bonds at market value		654,396	257,309	355,100	304,080	1,009,496	561,389
Hedge fund		1,250	8,459	0	0	1,250	8,459
	A	**842,353**	**477,261**	**457,327**	**401,347**	**1,299,680**	**878,608**
Other investments							
Property mortgages		0	18,744	0	0	0	18,744
Miscellaneous investments		30,289	3,547	32,380	19,088	62,669	22,635
Loan from Merrill Lynch (margin account)		(14,640)	(15,840)	0	0	(14,640)	(15,840)
	B	**15,649**	**6,451**	**32,380**	**19,088**	**48,029**	**25,539**
Total	A + B	**858,002**	**483,712**	**489,707**	**420,435**	**1,347,709**	**904,147**

Note 8 - Accrued deferred call - Parent company Gard P&I

The Committee has decided to levy a 10 per cent deferred call in respect of the 2009 policy year, payable in 2010.

Original estimate for the year was 25 per cent. This amounts to USD 40 million lower premium for mutual premium and a corresponding reduction in premium income and the result in the accounts compared to a Estimated Total Call basis.

Notes to the combined consolidated accounts continued

Note 9 - Sundry debtors

All amounts are stated in USD 000's

As at 20 February	Gard P&I 2010	Gard P&I 2009	Gard M&E 2010	Gard M&E 2009	Consolidated accounts 2010	Consolidated accounts 2009
Investment transactions in progress	31,377	15,523	34,793	18,747	66,170	34,270
Sundry debtors	13,031	5,705	0	2,274	3,976	6,505
Total	**44,408**	**21,228**	**34,793**	**21,021**	**70,146**	**40,775**

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

Note 10 - Shares in subsidiary company

All amounts are stated in USD 000's

As at 20 February 2010

	Ownership	Share capital	Cost price	Total equity	Profit for the year
Gard Marine & Energy Ltd.	100.0 %	USD 190,000	190,000	270,869	116,415
Total			**190,000**	**270,869**	**116,415**

Notes to the combined consolidated accounts continued

Note 11 - Real property and fixed assets

All amounts are stated in USD 000's

		2010	2009
		Real property and fixed assets	Real property and fixed assets
Cost			
As at 21 February 2009		51,915	58,121
Currency gain/loss		6,947	(11,482)
Purchases in the year		4,584	5,279
Sales in the year		(7)	(3)
As at 20 February 2010	A	**63,439**	**51,915**
Depreciation			
As at 21 February 2009		19,969	22,827
Currency gain/loss		2,288	(4,839)
Depreciation on sold assets		0	(256)
Charge for the year		2,739	2,237
As at 20 February 2010	B	**24,996**	**19,969**
Net book value			
As at 21 February 2009		**31,946**	**35,294**
As at 20 February 2010	A-B=C	**38,443**	**31,946**

Note 12 - Sundry creditors

All amounts are stated in USD 000's

	Gard P&I		Gard M&E		Consolidated accounts	
As at 20 February	2010	2009	2010	2009	2010	2009
Creditors : direct insurance	2,784	2,117	0	691	2,784	2,808
Creditors : reinsurance operations	1,726	5,641	202	0	1,928	5,641
Accrued taxes	3,132	460	5,551	644	8,683	1,104
Pension liabilities	20,371	14,751	0	0	20,371	14,751
Sundry creditors	17,719	18,518	6,189	8,206	18,875	25,250
Mortgages	10,227	9,384	0	0	10,227	9,384
Accrued expenses	15,830	9,343	4,302	282	16,110	9,625
Total	**71,789**	**60,214**	**16,244**	**9,823**	**78,978**	**68,563**

Notes to the combined consolidated accounts continued

Note 13 - Financial investments by currencies Gard P&I

All amounts are stated in USD 000's

Currency	Net assets	Forward exchange contracts	Net exposure in currency	USD
USD	399,087	126,991	526,077	526,077
CNY		462,582	462,582	68,468
EUR	128,760	(77,845)	50,915	61,454
SGD	10,517	58,559	69,076	49,452
GBP	68,181	(39,336)	28,844	41,685
NOK	211,526	(10,000)	201,526	34,083
CHF	17,017	235	17,253	15,739
JPY	1,440,402	(455,814)	984,588	10,586
KRW	7,031,863	854,923	7,886,786	6,811
SEK	46,602		46,602	6,389
CAD	6,872	(1,189)	5,684	5,456
INR	189,247	(8)	189,239	4,087
BRL	5,683	1,380	7,063	3,894
TWD	111,464	9,866	121,330	3,792
AUD	51,920	(47,856)	4,064	3,777
HKD	125,743	(101,040)	24,703	3,136
DKK	16,317		16,317	2,962
TRY	4,288	60	4,348	2,858
ZAR	20,962	(1,240)	19,722	2,567
THB	41,721		41,721	1,257
PLN	2,707	168	2,875	970
IDR	6,020,150		6,020,150	645
EGP	3,041		3,041	554
ILS	2,273	(215)	2,058	544
HUF	86,293		86,293	430
MXN	3,023		3,023	235
CLP		43,365	43,365	88
NZD	8		8	6
Total financial liquid assets				**858,002**

Note 13 - Financial investments by currencies: Consolidated accounts

All amounts are stated in USD 000's

Currency	Net assets	Forward exchange contracts	Net exposure in currency	USD
USD	655,320	230,885	886,206	886,206
EUR	195,356	(94,562)	100,794	129,495
CNY		488,556	488,556	72,476
GBP	82,726	(42,042)	40,684	59,780
SGD	12,464	58,555	71,019	50,827
NOK	215,462	(10,000)	205,462	34,990
CHF	19,499	235	19,734	18,027
JPY	9,074,849	(8,058,388)	1,016,461	10,874
CAD	12,571	(2,563)	10,008	9,615
KRW	9,215,675	1,783,086	10,998,761	9,510
BRL	12,895	2,897	15,792	8,707
AUD	57,211	(47,880)	9,331	8,485
HKD	164,053	(100,873)	63,180	8,090
SEK	57,824		57,824	7,928
INR	283,276	(112)	283,164	6,115
TWD	173,581	21,272	194,853	6,093
DKK	25,106		25,106	4,558
ZAR	31,682	(1,240)	30,442	3,962
TRY	5,215	60	5,275	3,467
IDR	15,153,002		15,153,002	1,622
THB	48,428		48,428	1,459
MXN	15,625		15,625	1,216
PLN	2,707	168	2,875	970
ILS	3,405	(215)	3,190	843
EGP	4,040		4,040	736
CLP	208,632	93,500	302,132	582
HUF	86,293		86,293	430
QAR	957		957	263
MYR	847		847	248
AED	396	7	403	110
NZD	32		32	22
Total financial liquid assets				**1,347,709**

Gard P&I
Policy year accounts

A. Development of open policy years

All amounts are stated in USD 000's

Policy year		2009	2008	2007	Total
Premiums and calls :					
Invoiced in prior years		0	391,029	346,248	
Invoiced in current year		422,185	0	0	
		422,185	391,029	346,248	
Additional calls debited		1,660	61,847	57,628	
Estimated deferred call		27,639	0	0	
Total premiums and deferred calls		451,484	452,876	403,876	
Reinsurance premiums		(68,159)	(64,591)	(64,249)	
	A	**383,325**	**388,285**	**339,627**	
Incurred claims net :					
Claims paid		53,726	135,376	193,695	
Estimates on outstanding claims		173,253	87,900	67,534	
IBNRs		106,062	27,351	24,083	
		333,041	250,627	285,312	
Operating expenses		88,304	81,459	71,716	
	B	**421,345**	**332,086**	**357,028**	
Investment income	C	**174,889**	**(202,486)**	**95,363**	
Surplus on open policy years	A-B+C=D	**136,869**	**(146,287)**	**77,962**	**68,544**
Closed policy years :					
Surplus in respect of 2005 and prior years as at 20 February 2009					508,657
Transfer on closure of 2006 policy year					18,924
Changes to policy years prior to 2006					(38,583)
General contingency reserve as at 20 February 2010					**557,542**

Gard P&I

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

All amounts are stated in USD 000's

Policy year	2009	2008	2007	Closed years	Total
Gross estimated outstanding and unreported claims :					
Own claims	289,109	102,933	68,340	251,102	711,484
Pool claims	50,342	12,318	31,398	66,697	160,755
Estimated reinsurance recoveries due from :					
The Pool	0	0	21	52,585	52,606
The Group excess loss reinsurance contract	0	0	8,096	(14,811)	(6,715)
Others	60,134	0	4	36,394	96,532
Net estimated outstanding and unreported claims	279,317	115,251	91,617	243,631	729,816
General contingency reserve	136,869	(146,287)	77,962	488,998	557,542
Balance available for outstanding and unreported claims as at 20 February 2010	**416,186**	**(31,036)**	**169,579**	**732,629**	**1,287,358**

Gard P&I
Notes to the policy year accounts

1. Premiums, supplementary calls, reinsurances and claims are credited/charged to the policy year to which they relate. Operating expenses and investment income are charged/credited to the same policy year as the financial year in which they are brought to account.

2. The annual accounts includes the 10 per cent deferred call levied for the 2009 policy year. The original estimate for the year was set to 25 percent

3. The approximate yield of a 10 per cent supplementary call on the open policy years would be:

2007 policy year	USD 21.0 million
2008 policy year	USD 24.0 million
2009 policy year	USD 26.6 million

4. "Incurred claims net" comprises claims paid (net of reinsurance recoveries), together with contributions to other P&I Associations under the Group Pooling arrangement and net estimates for outstanding and unreported claims.

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

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

5. Provision for outstanding and unreported claims for closed years, USD 243.6 million, consists of estimated outstanding claims in the amount of USD 174.4 million and estimates for IBNR claims of USD 69.2 million.

Composition of boards and committees of the Gard group after AGMs in 2010

Changes in the composition of the Boards and Committees of the various companies within the group will take place at Annual General Meetings held during this year. Members of a Board or a Committee marked with * will retire during 2010. Members of a Board or a Committee marked with ** are nominated for election during 2010.

GARD P. & I. (BERMUDA) LTD

BOARD OF DIRECTORS

Stephen Pan, Chairman	World-Wide Shipping Agency Limited, Hong Kong
Bengt Hermelin, Deputy Chairman	Samco Shipholding Pte. Ltd, Singapore
Alain Bernard, Deputy Chairman*	Olympic Shipping and Management S.A., Athens
Basil A. Abul-hamayel	Saudi Aramco, Dhahran
Ian Beveridge	Bernhard Schulte, Hamburg
Robert Gerald Buchanan*	Genco Shipping & Trading Inc., New York
K. C. Chang	Evergreen Marine Corp. (Taiwan) Ltd., Taipei
Trond Eilertsen	Oslo
Axel C. Eitzen*	Camillo Eitzen & Co ASA, Oslo
Timothy C. Faries	Bermuda
Rafael M. Ferrada*	Compañia Sud Americana de Vapores S.A. (CSAV), Valparaíso
Nicolas Frangistas*	Franco Compania Naviera, Kiffisia
Sir David Gibbons*	Bermuda
Hannu Haapanen	Neste Shipping OY, Espoo
Herbjørn Hansson	Nordic American Tanker Shipping Ltd, Bermuda
Morten Høegh	Leif Høegh & Co. AS, Oslo
Kenneth Hvid	Teekay Norway AS, Stavanger
Hans Peter Jebsen	Kristian Gerhard Jebsen Skipsrederi AS, Bergen
Robert E. Johnston	Overseas Shipholding Group Inc., New York
Tom Erik Klaveness	The Torvald Klaveness Group, Oslo
George P. Kynigos*	Agelef Shipping Co. (London) Ltd., London
Jan Lissow*	Interorient Navigation Co. Ltd, Limassol
Sergio Machado	Petroleo Brasileiro S.A. - Petrobras, Rio de Janeiro
Takeshi Matsui	The Sanko Steamship Co. Ltd., Tokyo
Magne Morken	Solvang ASA , Stavanger
Tadeusz Niszczota	Polish Steamship Co., Szczecin
Patrick Rodgers	Euronav (UK) Agencies Limited, London
Michael Say	Aug. Bolten Wm. Miller's Nachfolger (GmbH & Co.) KG, Hamburg
Ingar Skaug*	Wilh. Wilhelmsen ASA, Oslo
Jane Sy	Stolt Tankers B. V., Rotterdam
Kazuya Uchida	Meiji Shipping Co. Ltd., Tokyo
Hans Ivar Vigen*	JJ Ugland Companies, Grimstad
Weng-Yew Hor	AET Tanker Holdings Sdn Bhd, Kuala Lumpur
Claes Isacson, President	

The Executive Committee

Trond Eilertsen, Chairman	Oslo
Bengt Hermelin, Deputy Chairman*	Samco Shipholding Pte. Ltd, Singapore
Axel C. Eitzen*	Camillo Eitzen & Co. ASA, Oslo
Jan Lissow*	Interorient Navigation Co. Ltd, Limassol
Magne Morken**	Solvang ASA , Stavanger
Tadeusz Niszczota**	Polish Steamship Co., Szczecin
Jane Sy**	Stolt Tankers B. V., Rotterdam
Michael Say	Aug. Bolten Wm. Miller's Nachfolger (GmbH & Co.) KG, Hamburg
Claes Isacson, President	

The Election Committee

Stephen Pan, Chairman	World-Wide Shipping Agency Limited, Hong Kong
Alain Bernard*	Olympic Shipping and Management SA, Athens
Trond Eilertsen**	Oslo
Axel C. Eitzen*	Camillo Eitzen & Co. ASA, Oslo
Herbjørn Hansson	Nordic American Tanker Shipping Ltd, Bermuda
Bengt Hermelin**	Samco Shipholding Pte. Ltd, Singapore

ASSURANCEFORENINGEN GARD - GJENSIDIG

The Board of Directors

Trond Eilertsen, Chairman	Oslo
Bengt Hermelin, Deputy Chairman*	Samco Shipholding Pte. Ltd, Singapore
Axel C. Eitzen*	Camillo Eitzen & Co. ASA, Oslo
Jan Lissow*	Interorient Navigation Co. Ltd, Limassol
Magne Morken**	Solvang ASA, Stavanger
Tadeusz Niszczota**	Polish Steamship Co., Szczecin
Jane Sy**	Stolt Tankers B. V., Rotterdam
Michael Say	Aug. Bolten Wm. Miller's Nachfolger (GmbH & Co.) KG, Hamburg
Claes Isacson, Managing Director	Gard AS, Arendal

The Supervisory Committee

Stephen Knudtzon, Chairman	Oslo
Helge Aamodt	Bergshav Management AS
Claus Mørch	Anders Wilhelmsen & Co AS, Oslo
Arne Falkanger Thorsen	BW Gas AS, Oslo

The Election Committee

Trond Eilertsen, Chairman	Oslo
Axel C. Eitzen*	Camillo Eitzen & Co. ASA, Oslo
Bengt Hermelin**	Samco Shipholding Pte. Ltd, Singapore
Herbjørn Hansson	Nordic American Tanker Shipping Ltd, Bermuda

GARD MARINE & ENERGY LIMITED

The Board of Directors

Trond Eilertsen, Chairman	Oslo
Axel C. Eitzen*	Camillo Eitzen & Co. ASA, Oslo
Bengt Hermelin*	Samco Shipholding Pte. Ltd, Singapore
Tadeusz Niszczota**	Polish Steamship Co., Szczecin
Jane Sy**	Stolt Tankers B. V., Rotterdam
Graham W. Everard	Bermuda
Claes Isacson, President	

GARD REINSURANCE CO. LTD

Stephen Pan, Chairman	World-Wide Shipping Agency Limited, Hong Kong
Alain Bernard, Deputy Chairman*	Olympic Shipping and Management S.A., Athens
Bengt Hermelin, Deputy Chairman	Samco Shipholding Pte. Ltd, Singapore
Trond Eilertsen	Oslo
Timothy C. Faries	Bermuda
Claes Isacson	Arendal

Composition of boards and committees
of the Gard group after AGMs in 2010 continued

LINGARD LIMITED

The Board of Directors

Stephen Pan, Chairman	World-Wide Shipping Agency Limited, Hong Kong
Graham Everard	Bermuda
Claes Isacson, President	

GARD AS

The Board of Directors

Trond Eilertsen, Chairman	Oslo
Axel C. Eitzen*	Camillo Eitzen & Co. ASA, Oslo
Bengt Hermelin*	Samco Shipholding Pte. Ltd, Singapore
Tadeusz Niszczota**	Polish Steamship Co., Szczecin
Jane Sy**	Stolt Tankers B. V., Rotterdam
Claes Isacson	Arendal
Andreas Brachel	Employee representative, Arendal
Reidar Ebbesvik	Employee representative, Bergen
Erika Markussen	Employee representative, Arendal

SAFEGUARD GUARANTEE COMPANY LTD

The Board of Directors

Kjetil Eivindstad, Chairman	Arendal
Graham W. Everard	Lingard Limited, Bermuda
Christopher G. Garrod	Bermuda

The Gard group
Meeting dates for boards and committees 2009

Gard P. & I. (Bermuda) Ltd.

The AGM	
Wednesday 24 June 2009	Bermuda
Board of Directors	
Monday 25 May 2009	Vienna
Monday 26 October 2009	Athens
Executive Committee	
Thursday 23 April 2009	Copenhagen
Saturday 23 May 2009	Vienna
Thursday 1 October 2009	Copenhagen
Saturday 24 October 2009	Athens
Thursday 28 January 2010	Copenhagen

Assuranceforeningen Gard - gjensidig

The AGM	
Friday 14 August 2009	Arendal
Board of Directors	
Thursday 23 April 2009	Copenhagen
Thursday 13 August 2009	Arendal
Thursday 1 October 2009	Copenhagen
Thursday 28 January 2010	Copenhagen
The Supervisory Committee	
Wednesday 6 May 2009	Arendal
Tuesday 13 October 2009	Oslo

Gard Marine & Energy Limited

The AGM	
Wednesday 24 June 2009	Bermuda
The Board of Directors	
Thursday 23 April 2009	Copenhagen
Thursday 1 October 2009	Copenhagen
Thursday 28 January 2010	Copenhagen

Lingard Limited

The AGM	
Wednesday 24 June 2009	Bermuda
Board of Directors	
Thursday 27 April 2009	Bermuda
Thursday 1 October 2009	Copenhagen

Gard AS

The AGM	
Tuesday 23 April 2009	Copenhagen
The Board of Directors	
Thursday 23 April 2009	Copenhagen
Thursday 13 August 2009	Arendal
Thursday 1 October 2009	Copenhagen
Thursday 28 January 2010	Copenhagen

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This report, apart from the statement by the Chairman, has been prepared by Lingard Limited, manager of Gard P&I (Bermuda) Limited (the Association), from data and accounts provided by the Association and by its 'sister' association, Assuranceforeningen Gard (the Norwegian Association). The report combines the activities of the two Associations in accordance with standard principles of consolidation. It has no formal legal significance, but is provided with the aim of giving Members an easily assimilated summary of the overall financial position of their P&I insurer. The report and accounts of the Norwegian Association prepared in the Norwegian language have been filed with the relevant authorities, as required by Norwegian law. Those accounts, which are available to Members on request, will be submitted for approval to the Norwegian Association's Annual General Meeting in Arendal on 20th August 2010. The accounts of the Bermuda Association have already been approved in General Meeting.

Design: Nick Havas
Photography: Philip Gatward


www.gard.no