# FINANCIAL STATEMENTS 2019

## GARD MARINE & ENERGY LIMITED

*for the year to 20 February 2019*

To the Shareholder of Gard Marine & Energy Limited

# *Independent Auditor's Report*

## *Report on the Audit of the Financial Statements*

### *Opinion*

We have audited the financial statements of Gard Marine & Energy Limited, which comprise:

- The financial statements of the parent company Gard Marine & Energy Limited (the "Company"), which comprise the balance sheet as at February 20, 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the accounts, including a summary of significant accounting policies, and

- The consolidated financial statements of Gard Marine & Energy Limited and its subsidiaries (together the "Group"), which comprise the balance sheet as at February 20, 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the accounts, including a summary of significant accounting policies.

In our opinion:

- The accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at February 20, 2019, and of its financial performance and its cash flows for the year then ended in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance.

- The accompanying consolidated financial statements of the Group give a true and fair view of the financial position of the Group as at February 20, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## *Independence*

We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements of the Company and the consolidated financial statements of the Group in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

## *Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (together "Management") are responsible for the preparation of the financial statements of the Company and the consolidated financial statements of the Group that give a true and fair view in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance, and for such internal control as Management determines is necessary to enable the preparation of financial statements of the Company and the consolidated financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company and the consolidated financial statements of the Group, Management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and/or the Group or to cease operations, or has no realistic alternative but to do so.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company and the consolidated financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements, both the Company's and the Group's.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company and the consolidated financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Company and the consolidated financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company and the consolidated financial statements of the Group, including the disclosures, and whether the financial statements of the Company and the consolidated financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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PricewaterhouseCoopers Ltd.

**Chartered Professional Accountants**
**Hamilton, Bermuda**

**May 13, 2019**

# GARD MARINE & ENERGY LIMITED

## Statement of comprehensive income

| Amounts in USD 000's | Notes | Parent company<br>21.02.18<br>to 20.02.19 | <br>21.02.17<br>to 20.02.18 | Consolidated accounts<br>21.02.18<br>to 20.02.19 | <br>21.02.17<br>to 20.02.18 |
|---|---|---|---|---|---|
| **Technical account** | | | | | |
| Gross written premium | 4, 5 | 239,541 | 187,251 | 278,707 | 229,032 |
| Gross earned premium | 4, 5 | 216,418 | 181,047 | 253,786 | 213,820 |
| Ceded reinsurance | 5 | (125,684) | (97,864) | (142,146) | (111,154) |
| **Earned premium for own account** | 5 | **90,733** | **83,183** | **111,640** | **102,666** |
| **Other insurance related income** | | **164** | **128** | **231** | **185** |
| Gross incurred claims | 5 | 157,997 | 119,658 | 207,241 | 140,273 |
| Reinsurers' share of gross incurred claims | 5 | (74,219) | (65,076) | (101,122) | (72,154) |
| **Claims incurred for own account** | 5 | **83,777** | **54,581** | **106,119** | **68,119** |
| Acquisition costs | 6 | 13,368 | 13,233 | 19,416 | 19,411 |
| Agents' commission | 6 | 30,555 | 28,052 | 27,192 | 25,493 |
| Commission received | 6 | (27,264) | (22,899) | (28,875) | (24,064) |
| **Insurance related expenses for own account** | 6 | **16,659** | **18,386** | **17,733** | **20,840** |
| **Other insurance related expenses** | 6 | **1,314** | **1,131** | **1,864** | **1,679** |
| **Technical result** | | **(10,853)** | **9,213** | **(13,844)** | **12,213** |
| **Non-technical account** | | | | | |
| Interest and similar income/(expenses) | 7 | 496 | 4,738 | (603) | 10,619 |
| Change in unrealised gain/(loss) on investments | | (38,161) | 16,209 | (36,853) | 15,872 |
| Gain on realisation of investments | 10 | 36,918 | 2,981 | 35,897 | 3,557 |
| Other investment expenses | | (121) | (721) | (118) | (731) |
| **Non-technical result** | | **(868)** | **23,207** | **(1,676)** | **29,318** |
| **Profit before tax** | | **(11,721)** | **32,421** | **(15,520)** | **41,531** |
| Taxation | 8 | 2,939 | 1,129 | 3,065 | 2,753 |
| **Net result** | | **(14,660)** | **31,291** | **(18,586)** | **38,778** |
| **Other comprehensive income/(loss)** | | | | | |
| *Items that may be reclassified to profit or loss* | | | | | |
| Exchange differences on subsidiaries | | 0 | 0 | (14) | (5) |
| **Total comprehensive income** | | **(14,660)** | **31,291** | **(18,599)** | **38,773** |

# GARD MARINE & ENERGY LIMITED

## Balance sheet

| Amounts in USD 000's | Notes | Parent company<br>As at<br>20.02.19 | Parent company<br>As at<br>20.02.18 | Consolidated accounts<br>As at<br>20.02.19 | Consolidated accounts<br>As at<br>20.02.18 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Investments** | | | | | |
| *Financial investments in subsidiaries* | | | | | |
| Investments in subsidiaries | 9 | 46,737 | 46,737 | 0 | 0 |
| *Financial investments at fair value through profit or loss* | | | | | |
| Equities and investment funds | 10 | 43,462 | 120,043 | 45,747 | 122,543 |
| Interest-bearing securities and funds | 10, 11 | 205,655 | 184,679 | 243,454 | 227,736 |
| Financial derivative assets | 10, 11, 12 | 0 | 2,001 | 0 | 2,001 |
| Other financial investments | 10, 11 | 8 | 15,961 | 12 | 15,956 |
| **Total investments** | 10 | **295,862** | **369,421** | **289,213** | **368,236** |
| **Reinsurers' share of technical provisions** | | | | | |
| Reinsurers' share of gross premium reserve | 5, 11 | 67,615 | 50,843 | 71,536 | 54,070 |
| Reinsurers' share of gross claims reserve | 5, 11 | 152,153 | 143,734 | 174,163 | 151,444 |
| **Total reinsurers' share of technical provisions** | 5 | **219,768** | **194,577** | **245,698** | **205,514** |
| **Receivables** | | | | | |
| *Receivables from direct insurance operations* | | | | | |
| Policyholders | 13 | 2,006 | 3,154 | 3,141 | 4,515 |
| Intermediaries | 13 | 98,298 | 77,569 | 150,389 | 120,563 |
| *Receivables from reinsurance operations* | | | | | |
| Receivables from reinsurance operations | | 613 | 152 | 2,528 | 208 |
| Receivables from group companies | | 24,685 | 24,599 | 3,115 | 5,121 |
| *Other receivables* | | | | | |
| Other receivables | | 65 | 0 | 75 | 10 |
| Other receivables from group companies | | 13,526 | 7,128 | 13,582 | 7,128 |
| **Total receivables** | 11 | **139,194** | **112,602** | **172,830** | **137,545** |
| **Other assets** | | | | | |
| Equipment | | 0 | 0 | 2 | 7 |
| Cash and cash equivalents | 11, 14 | 1,141 | 4,243 | 11,947 | 17,015 |
| Deferred tax asset | 8 | 905 | 0 | 0 | 0 |
| Other financial assets | 11 | 10,521 | 11,256 | 10,521 | 11,256 |
| **Total other assets** | | **12,566** | **15,499** | **22,470** | **28,277** |
| **Prepayments and accrued income** | | | | | |
| Accrued income and other prepayments | | 18,124 | 16,110 | 15,954 | 13,725 |
| **Total prepayments and accrued income** | | **18,124** | **16,110** | **15,954** | **13,725** |
| **Total assets** | | **685,514** | **708,209** | **746,165** | **753,297** |

# GARD MARINE & ENERGY LIMITED

## Balance sheet

| Amounts in USD 000's | Notes | Parent company<br>As at<br>20.02.19 | <br>As at<br>20.02.18 | Consolidated accounts<br>As at<br>20.02.19 | <br>As at<br>20.02.18 |
|---|---|---|---|---|---|
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Statutory reserve | 15 | 190,000 | 190,000 | 190,000 | 190,000 |
| Other equity | | (1,587) | 58,073 | 999 | 64,598 |
| **Total equity** | 16 | **188,413** | **248,073** | **190,999** | **254,598** |
| **Technical provisions** | | | | | |
| Gross premium reserve | 5 | 124,147 | 101,024 | 140,715 | 115,794 |
| Gross claims reserve | 5, 11 | 283,346 | 274,104 | 325,062 | 293,867 |
| **Total technical provisions** | | **407,494** | **375,128** | **465,777** | **409,661** |
| **Provisions for other liabilities** | | | | | |
| Income tax payable | 8, 11 | 4,414 | 1,498 | 4,447 | 1,634 |
| Deferred tax | 8 | 0 | 0 | 222 | 1,173 |
| **Total provisions for other liabilities** | | **4,414** | **1,498** | **4,669** | **2,807** |
| **Payables** | | | | | |
| Payables arising out of direct insurance operations | | 3,801 | 5,375 | 7,402 | 7,859 |
| Payables arising out of reinsurance operations | | 17,399 | 11,041 | 17,927 | 17,320 |
| Payables arising out of reinsurance operations - group companies | | 47,370 | 44,055 | 41,578 | 37,151 |
| Payables group companies | | 777 | 329 | 1,050 | 498 |
| Financial derivative liabilities | 10, 11, 12 | 0 | 8,077 | 0 | 8,077 |
| Other payables | 11 | 47 | 130 | 183 | 278 |
| **Total payables** | | **69,393** | **69,006** | **68,141** | **71,182** |
| **Accruals and deferred income** | | | | | |
| Accruals and deferred income | | 15,800 | 14,503 | 16,580 | 15,050 |
| **Total accruals and deferred income** | | **15,800** | **14,503** | **16,580** | **15,050** |
| **Total liabilities** | | **497,101** | **460,136** | **555,167** | **498,700** |
| **Total equity and liabilities** | | **685,514** | **708,209** | **746,165** | **753,297** |

# GARD MARINE & ENERGY LIMITED

## Statement of changes in equity

| Amounts in USD 000's | Parent company<br>Statutory reserve | <br>Other equity | <br>Total | Consolidated accounts<br>Statutory reserve | <br>Other equity | <br>Total |
|---|---|---|---|---|---|---|
| **Equity as at 21.02.17** | **190,000** | **26,782** | **216,782** | **190,000** | **25,825** | **215,825** |
| Net result | 0 | 31,291 | 31,291 | 0 | 38,778 | 38,778 |
| Exchange differences on subsidiaries | 0 | 0 | 0 | 0 | (5) | (5) |
| **Equity as at 20.02.18** | **190,000** | **58,073** | **248,073** | **190,000** | **64,598** | **254,598** |
| **Equity as at 21.02.18** | **190,000** | **58,073** | **248,073** | **190,000** | **64,598** | **254,598** |
| Net result | 0 | (14,660) | (14,660) | 0 | (18,586) | (18,586) |
| Dividend | 0 | (45,000) | (45,000) | 0 | (45,000) | (45,000) |
| Exchange differences on subsidiaries | 0 | 0 | 0 | 0 | (14) | (14) |
| **Equity as at 20.02.19** | **190,000** | **(1,587)** | **188,413** | **190,000** | **999** | **190,999** |

# GARD MARINE & ENERGY LIMITED

## Statement of cash flow

| | | Parent company | | Consolidated accounts | |
|---|---|---|---|---|---|
| Amounts in USD 000's | Notes | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 |
| **Cash flow from operating activities** | | | | | |
| Profit from ordinary operations before tax | | (11,721) | 32,421 | (15,520) | 41,531 |
| Tax paid | 8 | (846) | (1,651) | (1,000) | (1,656) |
| Change in unrealised (gain)/loss on investments | | 38,161 | (16,209) | 36,853 | (15,872) |
| Financial investments | | 27,321 | (20,425) | 34,094 | (46,771) |
| Change in receivables and payables | | (17,393) | 31,023 | (29,514) | 19,755 |
| Change in technical provisions and other accruals | | 6,457 | (17,542) | 15,233 | (4,749) |
| Change in valuation due to change in exchange rates | | (81) | 174 | (213) | 127 |
| **Net cash flow from operating activities** | | **41,898** | **7,791** | **39,932** | **(7,637)** |
| **Cash flow from investment activities** | | | | | |
| Capital contribution paid to subsidiary | 3 | 0 | (10,181) | 0 | 0 |
| **Net cash flow from investment activities** | | **0** | **(10,181)** | **0** | **0** |
| **Cash flow from financing activities** | | | | | |
| Dividend paid to group company | 3 | (45,000) | 0 | (45,000) | 0 |
| **Net cash flow from financing activities** | | **(45,000)** | **0** | **(45,000)** | **0** |
| Net change in cash and cash equivalents | | (3,102) | (2,390) | (5,068) | (7,637) |
| Cash and cash equivalents at beginning of year | | 4,243 | 6,633 | 17,015 | 24,652 |
| Bank overdraft at beginning of year | | 0 | 0 | 0 | 0 |
| **Cash and cash equivalents at end of year** | 11 | **1,141** | **4,243** | **11,947** | **17,015** |

*See note 2.2 and note18.

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 1 - Corporate information

**Gard Marine & Energy Limited** (the "Company' or 'Gard M&E') is a limited liability company and a wholly owned subsidiary of Gard P. & I. (Bermuda) Ltd. The Company domiciled in Bermuda and registered by the Bermuda Monetary Authority as a Class 3B insurer covering, *inter alia*, marine and energy risks. The principal activity of the Company is direct insurance of marine and energy risks. The Company is a part of the Gard group of companies where Gard P. & I. (Bermuda) Ltd. is the ultimate owner.

**Gard Marine & Energy Insurance (Europe) AS** ('Gard M&E Europe') is a wholly owned subsidiary of the Company. Gard M&E Europe is registered and domiciled in Norway and is licensed by the Norwegian Ministry of Finance to carry out direct insurance of marine and energy risks.

**Gard Marine & Energy Escritorio de Representacao no Brasil Ltda.** ('Gard Brasil') is a wholly owned subsidiary of the Company which is registered and domiciled in Brasil. Gard Brasil is user to allow the Company to be registered as an Admitted Reinsurer in Brasil. The status as Admitted Reinsurer is required for the Company to get access to the Brasilian marine and energy market. Gard Brasil is the local representative of the Admitted Reinsurer.

The Company is the sole shareholder of Gard M&E Europe and Gard Brasil (together, the "group").

### Note 2 - Accounting policies

**2.1 Basis of preparation of the Accounts**
The Company is incorporated under Bermuda Law. The operations and insurance activities of the Company are carried out by its insurance manager, Lingard Limited. The accounts include the activity from 21 February 2018 to 20 February 2019.

The financial statements have been prepared in accordance with regulations for annual accounts for general insurance companies approved by the Norwegian Ministry of Finance.

**2.2 Basis for consolidation**
The consolidated financial statements are made up of the accounts of Gard Marine & Energy Limited and the companies over which the Company has a controlling interest, i.e., Gard M&E Europe and Gard Brasil. A controlling interest is normally obtained when ownership of the shares in a company is more than 50 per cent and that ownership has the right to exercise control over the company.

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.

**2.3 Use of accounting estimates when preparing the accounts**
The preparation of the accounts requires management to make estimates and assumptions that affect the valuation of assets, liabilities, revenues, expenses and contingent liabilities. Due to unforeseen circumstances, these estimates may change in the future. Estimates and their assumptions are considered continuously, and accounts adjusted accordingly.

**2.4 Foreign currency**
Functional currency and presentation currency
The accounts are prepared in USD, which is both the functional currency and presentation currency of the Company.

Transactions in foreign currency
Transactions in foreign currencies are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into USD using the exchange rate applicable on the balance sheet date. 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 balances of the provision for claims in foreign currency are translated into USD based on the same method as for monetary items. Non-monetary items that are measured at fair value and expressed in a non-USD currency are translated into USD using the exchange rate applicable on the transaction date. Translation differences are recognised in the income statement as they occur during the accounting period. Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and financial investments are presented as part of the non-technical result as 'Interest and similar income' and 'Change in unrealised gain/loss on investments' respectively. All foreign exchange gains and losses relating to technical operations are presented in the income statement as part of the technical result.

The assets and liabilities of companies in the group that have a functional currency different from USD are converted into USD at the rate of exchange at the closing date. Income and expenses are translated at an average rate of exchange. All resulting exchange differences are recognised in 'Other comprehensive income'.

**2.5 Provisions, contingent liabilities and assets**
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. For potential obligations whose likelihood is not remote or probable (i.e. not 'more likely than not'), a contingent liability is disclosed.

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.

**2.6 Events after the reporting period**
New and material information on the group'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 group's financial position at the end of the reporting period, but which will affect the financial position in the future, are disclosed if significant.

**2.7 Other significant accounting policies**
Other significant accounting policies are presented and described in other notes to the financial statements, together with the more expanded disclosures for that particular area. This is done to make the disclosures more relevant to the users and make it easier to get an overview of the relevant note. The following table includes other significant accounting policies that are described in other notes to the financial statements, including the number of the note:

| Accounting policy | Note |
|---|---|
| Technical result | 5 |
| Technical provisions | 5 |
| Insurance related expenses | 6 |
| Non-technical items | 7 |
| Tax | 8 |
| Investments in subsidiaries | 9 |
| Financial Investments | 10 |
| Financial derivatives | 12 |
| Cash and cash equivalents | 14 |

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 3 - Intra-group transactions

**Reinsurance agreement with Gard M&E Europe**

The Company is a reinsurer of 70 per cent of Marine & Energy risk underwritten by Gard M&E Europe that is not reinsured elsewhere. The Company`s reinsurance activities are directly dependent on the volume underwritten by Gard M&E Europe.

| | **Received from Gard M&E Europe** | |
|---|---|---|
| Amounts in USD 000's | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 |
| Reinsurance | 48,783 | 45,459 |
| Reinsurers' share of gross settled claims | 39,953 | 45,873 |
| Reinsurance commission | 13,256 | 11,530 |

**Reinsurance agreement with Gard Reinsurance Co Ltd.**

The Company has entered into a reinsurance agreement with Gard Reinsurance Co Ltd ("Gard Re"). The Company is ceding 50 per cent of its insurance portfolio after taking the external reinsurance agreement into account.

| | **Ceded to Gard Re** | |
|---|---|---|
| Amounts in USD 000's | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 |
| Reinsurance | 90,733 | 83,183 |
| Reinsurers' share of gross settled claims | 65,711 | 69,434 |
| Reinsurance commission | 23,209 | 20,673 |

| | **Ceded to Gard Re** | |
|---|---|---|
| Amounts in USD 000's | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 |
| Reinsurers' share of gross claims reserve | 112,078 | 84,489 |

**Insurance management agreement**

The Company has appointed Lingard as it insurance manager and principal representative in Bermuda. The services provided by Lingard are governed by an insurance management agreement with the Company. The Company has entered into an insurance agreement with Gard (Singapore) Pte. Ltd. where Gard (Singapore) Pte. Ltd. is performing certain day-to-day operational functions for the Company branches in Singapore. The Company has entered into an insurance agreement with Gard (HK) Limited where Gard (HK) Limited is performing certain day-to-day operational functions for the Company branch in Hong Kong.

| | **Insurance services invoiced** | |
|---|---|---|
| Amounts in USD 000's | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 |
| Lingard Limited | 25,174 | 23,644 |
| Gard (Singapore) Pte. Ltd | 848 | 787 |

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 3 - Intra-group transactions continued

**Insurance/reinsurance agency agreement**

Lingard in its capacity as insurance manager of the Company has entered into insurance agency agreements with Gard AS and its subsidiaries. Gard AS is the general agent of the Norwegian branch of the Company, 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. The Company has entered into an reinsurance agency agreement with Gard Brasil, whereby Gard Brasil acts as local representative in Brasil.

| | **Insurance services invoiced** | |
|---|---|---|
| | 21.02.18 | 21.02.17 |
| Amounts in USD 000's | to 20.02.19 | to 20.02.18 |
| Gard Brasil | 500 | 449 |

**Dividends and capital contributions**

| | **Dividends paid** | |
|---|---|---|
| | 21.02.18 | 21.02.17 |
| Amounts in USD 000's | to 20.02.19 | to 20.02.18 |
| Gard P. & I. (Bermuda) Ltd. | 45,000 | 0 |

| | **Capital contribution paid** | |
|---|---|---|
| | 21.02.18 | 21.02.17 |
| Amounts in USD 000's | to 20.02.19 | to 20.02.18 |
| Gard M&E Europe | 0 | 10,181 |

### Note 4 - Gross written premium by geographical areas

| | **Parent company** | | **Consolidated accounts** | |
|---|---|---|---|---|
| | 21.02.18 | 21.02.17 | 21.02.18 | 21.02.17 |
| Amounts in USD 000's | to 20.02.19 | to 20.02.18 | to 20.02.19 | to 20.02.18 |
| EEA | 89,203 | 37,659 | 168,988 | 115,781 |
| Norway | 89,171 | 90,582 | 37,745 | 41,300 |
| Other areas | 61,167 | 59,011 | 71,973 | 71,951 |
| **Total gross written premium** | **239,541** | **187,251** | **278,707** | **229,032** |

The geographical split is made based on the location of the individual Member or client.

# GARD MARINE & ENERGY LIMITED
## Notes to the accounts

### Note 5 - Technical result and technical provisions

#### Accounting policy

*Premiums*

Premiums are based on the insurance contracts where one party (the insurer) has accepted a significant risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Premiums are recognised over the insurance policy period.

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 they are incurred. Paid claims include an allocated portion of both direct and indirect claims handling cost.

| | | | **Parent company** | | | **Consolidated accounts** |
|---|---|---|---|---|---|---|
| | | | 21.02.18 | | | 21.02.18 |
| | | | to 20.02.19 | | | to 20.02.19 |
| Amounts in USD 000's | Marine | Energy | Total | Marine | Energy | Total |
| **Technical result** | | | | | | |
| Gross written premium | 197,831 | 41,710 | 239,541 | 233,957 | 44,750 | 278,707 |
| Gross earned premium | 171,284 | 45,134 | 216,418 | 205,516 | 48,270 | 253,786 |
| Ceded reinsurance | (102,445) | (23,239) | (125,684) | (117,956) | (24,190) | (142,146) |
| **Earned premium for own account** | **68,838** | **21,895** | **90,733** | **87,560** | **24,080** | **111,640** |
| **Claims incurred, gross** | | | | | | |
| Incurred this year | 177,665 | 27,998 | 205,662 | 221,127 | 28,919 | 250,046 |
| Incurred previous years | 844 | (48,509) | (47,665) | 4,893 | (47,698) | (42,804) |
| **Total claims incurred, gross** | **178,508** | **(20,511)** | **157,997** | **226,020** | **(18,779)** | **207,241** |
| Reinsurers' share of gross incurred claims | (89,107) | 14,888 | (74,219) | (116,010) | 14,888 | (101,122) |
| **Claims incurred for own account** | **89,401** | **(5,624)** | **83,777** | **110,010** | **(3,891)** | **106,119** |

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 5 - Technical result and technical provisions continued

#### Accounting policy

Technical provisions are calculated in accordance with the regulations for annual accounts for insurance companies.

*Gross premium reserve*

The gross premium reserve is amortised over the risk period and 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 income statement.

*Gross claims reserve*

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

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 provisions for internal claims handling expenses (unallocated loss adjustment expenses, or ULAE) and binary events are included in the 'Gross claims reserve'.

*Insurance contract liabilities*

Insurance contract liabilities are the main items in the balance sheet based upon judgements 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.

| | | | **Parent company** | | | **Consolidated accounts** |
|---|---|---|---|---|---|---|
| | | | 21.02.18 to 20.02.19 | | | 21.02.18 to 20.02.19 |
| Amounts in USD 000's | Marine | Energy | Total | Marine | Energy | Total |
| **Technical provisions gross** | | | | | | |
| Provisions, at the beginning of the year | 134,454 | 139,650 | 274,104 | 153,253 | 140,614 | 293,867 |
| Claims paid | (118,748) | (30,007) | (148,755) | (145,180) | (30,866) | (176,046) |
| Claims incurred - gross this year | 177,665 | 27,998 | 205,662 | 221,127 | 28,919 | 250,046 |
| Claims incurred - gross previous years | 844 | (48,509) | (47,665) | 4,893 | (47,698) | (42,804) |
| **Provisions, at the end of the year** | **194,214** | **89,132** | **283,346** | **234,093** | **90,969** | **325,062** |
| Reinsurers' share of claims provision | (98,362) | (53,792) | (152,153) | (120,371) | (53,792) | (174,163) |
| **Provisions net, at the end of the year** | **95,852** | **35,341** | **131,193** | **113,722** | **37,177** | **150,899** |
| Provision for unearned premiums, gross | 98,112 | 26,036 | 124,147 | 112,972 | 27,743 | 140,715 |
| Reinsurers' share of premiums provision | (54,535) | (13,079) | (67,615) | (58,376) | (13,160) | (71,536) |
| **Provision for unearned premiums, net** | **43,576** | **12,956** | **56,533** | **54,596** | **14,583** | **69,179** |
| **Provision for outstanding claims** | | | | | | |
| Technical provision gross | 194,214 | 89,132 | 283,346 | 234,093 | 90,969 | 325,062 |
| Technical provision net | 95,852 | 35,341 | 131,193 | 113,722 | 37,177 | 150,899 |

Sensitivity analysis has been performed in order to evaluate how sensitive gross claims reserve is dependent on the actuarial methods applied. The Company applied the following methods: Development factor method, Bornhuetter Ferguson, Apriori reduced method and Benktander. Based on these methodologies the gross claim reserve ranges between USD 281.6 million and USD 285.1 million for parent company and between USD 322.3 million and USD 327.9 for consolidated accounts.

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 6 - Insurance related expenses and number of staff

#### Accounting policy

Insurance related expenses for own account consist of broker and agent commissions, sales and administrative expenses, less commission received on ceded reinsurance premiums. Sales expenses are recognised in the period in which they are incurred. The administrative expenses and commission received are expensed over the underlying policy period.

Other Insurance related expenses are accounted for in the period they are incurred.

| | Parent company | | Consolidated accounts | |
|---|---|---|---|---|
| Amounts in USD 000's | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 |
| **Acquisition costs and commissions** | | | | |
| Insurance intermediary | 13,368 | 13,233 | 19,416 | 19,411 |
| Agents' commission | 30,555 | 28,052 | 27,192 | 25,493 |
| Commission received | (27,264) | (22,899) | (28,875) | (24,064) |
| **Insurance related expenses for own account** | **16,659** | **18,386** | **17,733** | **20,840** |

| | Parent company | | Consolidated accounts | |
|---|---|---|---|---|
| Amounts in USD 000's | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 |
| **Remuneration auditor** | | | | |
| Auditing fee | 337 | 254 | 369 | 288 |
| Tax advising | 20 | 0 | 20 | 0 |
| Non audit services | 0 | 9 | 6 | 9 |
| **Total auditors' fee** | **357** | **263** | **394** | **296** |

| | Parent company | | Consolidated accounts | |
|---|---|---|---|---|
| Amounts in USD 000's | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 |
| **Net operating expenses** | | | | |
| Bad debt | 164 | (30) | 84 | 43 |
| Service cost | 26,522 | 24,880 | 38,168 | 35,303 |
| Allocated to claims handling and acquisition costs | (26,323) | (24,565) | (38,840) | (36,209) |
| Other operating expenses | 951 | 845 | 2,452 | 2,542 |
| **Other insurance related expenses** | **1,314** | **1,131** | **1,864** | **1,679** |

Gard M&E has no employees. No salaries or other benefits have been paid to the Board of Directors.

### Note 7 - Non-technical items

#### Accounting policy

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

| | Parent company | | Consolidated accounts | |
|---|---|---|---|---|
| Amounts in USD 000's | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 |
| **Interest and similar income/(expenses)** | | | | |
| Income from financial investments held for trading (portfolio investments) | 1,503 | 3,427 | 1,764 | 4,030 |
| Foreign exchange gain/(loss) | (1,007) | 1,311 | (2,367) | 6,589 |
| **Total interest and similar income/(expenses)** | **496** | **4,738** | **(603)** | **10,619** |

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 8 - Tax

#### Accounting policy

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 at the tax rate at the end of the accounting year. Changes in tax rates are accounted for when the new rate has been approved and changes are presented as part of the tax expense in the period the change has been made. A deferred tax asset is recorded in the balance sheet, when it is more likely than not that the tax asset will be utilised.

Based on changes in tax regulations approved by the Norwegian Ministry of Finance 20 December 2018, the Norwegian branches have changed their basis for tax calculation to ordinary corporate tax. For previous years the Norwegian branches were liable to pay income tax based on gross earned premiums.

| | **Parent company** | | **Consolidated accounts** | |
|---|---|---|---|---|
| Amounts in USD 000's | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 |
| **Basis for income tax expense, changes in deferred tax and tax payable** | | | | |
| Gross earned premiums as basis for taxable income (3% of revenue) | 0 | 3,861 | 0 | 3,861 |
| Total result as basis for tax calculation | 11,766 | 1,085 | 7,967 | 10,195 |
| **Basis for calculating tax** | **11,766** | **4,946** | **7,967** | **14,056** |
| Permanent differences | 43 | 0 | 3,489 | (3,673) |
| **Basis for the tax expense for the year** | **11,809** | **4,946** | **11,456** | **10,383** |
| Change in temporary differences | 3,620 | 0 | 4,082 | (5,937) |
| **Basis for payable taxes in the income statement** | **15,429** | **4,946** | **15,538** | **4,446** |
| Change in tax losses carried forward | 0 | 0 | 0 | (538) |
| **Taxable income (basis for payable taxes in the balance sheet)** | **15,429** | **4,946** | **15,538** | **4,984** |
| **Income tax expenses** | | | | |
| Tax payable | 3,857 | 1,008 | 3,903 | 1,034 |
| Tax correction earlier year | (13) | 0 | (13) | (183) |
| Change in deferred tax | (905) | 0 | (848) | 1,666 |
| Accrual tax in foreign branches | 0 | 121 | 24 | 236 |
| **Tax expenses ordinary result** | **2,939** | **1,129** | **3,065** | **2,753** |
| **Income tax payable** | | | | |
| Tax at beginning of the year | 1,498 | 1,846 | 1,634 | 1,859 |
| Tax payable related to the year | 3,857 | 1,129 | 3,927 | 1,270 |
| Tax paid during the year | (846) | (1,651) | (1,000) | (1,656) |
| Tax correction earlier year | (13) | 121 | (13) | 121 |
| Exchange adjustments | (81) | 53 | (101) | 40 |
| **Tax payable at end of the year** | **4,414** | **1,498** | **4,447** | **1,634** |
| **Deferred tax/tax asset** | | | | |
| **Specification of tax effect resulting from temporary differences** | | | | |
| Portfolio investments | 0 | 0 | (356) | 286 |
| Tax loss carried forward | 0 | 0 | 205 | 212 |
| Other temporary differences | 3,620 | 0 | 3,661 | 90 |
| Retained earnings | 0 | 0 | (4,397) | (5,421) |
| **Total temporary differences** | **3,620** | **0** | **(887)** | **(4,833)** |
| Deferred tax/tax asset, 25 per cent of total temporary differences | 905 | 0 | (222) | (1,208) |
| Currency effect posted to Non-technical result | 0 | 0 | 0 | 35 |
| **Net deferred tax/tax asset of total temporary differences** | **905** | **0** | **(222)** | **(1,173)** |

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 8 - Tax continued

As a company organised under the laws of Bermuda the Company is not subject to taxation in Bermuda, as Bermuda does not impose taxation on receipts, dividends, capital gains, gifts or net income. In the event that such taxes are levied, the Company has received an assurance from the Bermuda government to be exemted from all such taxes until 28 March 2035.

| | Parent company | | Consolidated accounts | |
|---|---|---|---|---|
| Amounts in USD 000's | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 | 21.02.18 to 20.02.19 | 21.02.17 to 20.02.18 |
| **Reconciliation of the tax expense** | | | | |
| Basis for calculating tax | 11,766 | 4,946 | 7,967 | 14,056 |
| **Calculated tax 25%** | **2,942** | **1,236** | **1,992** | **3,514** |
| Tax expense | 2,939 | 1,129 | 3,065 | 2,753 |
| **Difference** | **3** | **107** | **(1,073)** | **761** |
| | | | | |
| **The difference consist of:** | | | | |
| Tax correction earlier year | 23 | 0 | (12) | (183) |
| Differences related to different basis of calculation | 0 | 150 | 0 | 150 |
| Permanent differences not subject to tax | (11) | 0 | (872) | 918 |
| Currency effect posted to Non-technical result | 0 | 0 | (103) | 35 |
| Tax in foregin branches | (10) | 0 | (34) | (120) |
| Other differences | 0 | (43) | (53) | (39) |
| **Sum explained differences** | **3** | **107** | **(1,073)** | **761** |

### Note 9 - Investments in subsidiaries

#### Accounting policy

Investments in the subsidiaries are valued at the lower of cost and fair value in the parent 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. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

| Amounts in USD 000's | Ownership | Voting share | Place of office | Currency | Share capital | Cost price USD As at 20.02.19 |
|---|---|---|---|---|---|---|
| Gard M&E Europe | 100% | 100% | Norway | NOK | 344,011 | 46,432 |
| Gard Brasil | 99% | 99% | Brasil | BRL | 614 | 305 |
| **Total** | | | | | | **46,737** |

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 10 - Financial investments at fair value through profit or loss

#### Accounting policy

**Classification**
The Comapny classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition.

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivative financial investments are also categorised as held for trading.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as receivables and payables in the balance sheet.

*Held-to-maturity financial assets*
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity, other than:
- Those that the Company upon initial recognition designates as at fair value through profit or loss;
- Those that meet the definition of loans and receivables.

**Recognition and measurement**
Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans, receivables and held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Unrealised gains or losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Change in unrealised gain/loss on investments' in the period in which they arise. Realised gains or losses are presented within 'Gains on realisation of investments'. Dividends and interest income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of 'Interest and similar income' when the right to receive payments is established. Dividends from investments is recognised when the Company has an unconditional right to receive the dividend.

Dividend paid is recognised as a liability at the time when the General Meeting approves the payment of the dividend.

Interest on held-to-maturity investments is included in the consolidated statement of comprehensive income and reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the consolidated statement of comprehensive income.

**Offsetting financial investments**
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**Impairment of financial assets**
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

# GARD MARINE & ENERGY LIMITED
## Notes to the accounts

### Note 10 - Financial investments at fair value through profit or loss continued

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Company may measure impairment on the basis of an investment's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

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

**Financial investments at fair value through profit or loss**
The fair value of financial assets classified as financial investments at fair value through profit or loss and the fair value of bonds included 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.

#### Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique.

**Financial investments in Level 1**
The fair value of financial investments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the last trade price (these investments are included in Level 1).
US government bonds and other financial investments have been classified on Level 1 in the pricing hierarchy.

**Financial investments in Level 2**
The fair value of financial investments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an investment are observable, the investment is included in Level 2.

Investments listed in the following have been classified on Level 2 in the pricing hierarchy:
- Equity funds and interest-bearing securities and funds where fair values are determined by using quoted market prices of the assets where the funds are invested.
- Equity funds and bond funds where fair values are determined by using quoted market prices of the assets where the funds are invested.
- Equity futures, interest futures, currency futures, currency forwards and interest rate swaps where fair values are determined on the basis of the price development on an underlying asset or instrument. All deriviatives are priced by standard and well recognized methods.

If one or more of the significant inputs is not based on observable market data, the investment is included in Level 3.

Specific valuation techniques used to value financial investments include:
- Quoted market prices or dealer quotes for similar investments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial investments.

Note that all of the resulting fair value estimates are included in Level 2 except for financial investments explained below.

**Financial investments in Level 3**
Level 3 includes securitised debt investments and investments in less liquid fund structures.

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 10 - Financial investments at fair value through profit or loss continued

| | | | | **Parent company** | | | | **Parent company** |
|---|---|---|---|---|---|---|---|---|
| | | | | As at 20.02.19 | | | | As at 20.02.18 |
| | Quoted market prices | Observable market data | Non observable market data | | Quoted market prices | Observable market data | Non observable market data | |
| Amounts in USD 000's | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial investments** | | | | | | | | |
| Equities and investment funds | 0 | 43,462 | 0 | 43,462 | 0 | 120,043 | 0 | 120,043 |
| Interest-bearing securities and funds | 45,546 | 160,109 | 0 | 205,655 | 23,773 | 160,906 | 0 | 184,679 |
| Financial derivative assets | 0 | 0 | 0 | 0 | 0 | 2,001 | 0 | 2,001 |
| Cash incl. in other financial investments | 3 | 0 | 0 | 3 | 13,693 | 0 | 0 | 13,693 |
| Other financial investments | 5 | 0 | 0 | 5 | 2,268 | 0 | 0 | 2,268 |
| **Total financial investments** | **45,554** | **203,571** | **0** | **249,125** | **39,734** | **282,950** | **0** | **322,684** |
| **Financial liabilities** | | | | | | | | |
| Financial derivative liabilities | 0 | 0 | 0 | 0 | 0 | 8,077 | 0 | 8,077 |
| **Total financial liabilities** | **0** | **0** | **0** | **0** | **0** | **8,077** | **0** | **8,077** |

| | | | | **Consolidated accounts** | | | | **Consolidated accounts** |
|---|---|---|---|---|---|---|---|---|
| | | | | As at 20.02.19 | | | | As at 20.02.18 |
| | Quoted market prices | Observable market data | Non observable market data | | Quoted market prices | Observable market data | Non observable market data | |
| Amounts in USD 000's | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial investments** | | | | | | | | |
| Equities and investment funds | 0 | 45,747 | 0 | 45,747 | 0 | 122,543 | 0 | 122,543 |
| Interest-bearing securities and funds | 63,687 | 179,768 | 0 | 243,454 | 35,666 | 192,070 | 0 | 227,736 |
| Financial derivative assets | 0 | 0 | 0 | 0 | 0 | 2,001 | 0 | 2,001 |
| Cash incl. in other financial investments | 4 | 0 | 0 | 4 | 13,694 | 0 | 0 | 13,694 |
| Other financial investments | 8 | 0 | 0 | 8 | 2,263 | 0 | 0 | 2,263 |
| **Total financial investments** | **63,698** | **225,515** | **0** | **289,213** | **51,623** | **316,614** | **0** | **368,236** |
| **Financial liabilities** | | | | | | | | |
| Financial derivative liabilities | 0 | 0 | 0 | 0 | 0 | 8,077 | 0 | 8,077 |
| **Total financial liabilities** | **0** | **0** | **0** | **0** | **0** | **8,077** | **0** | **8,077** |

## Note 10 - Financial investments at fair value through profit or loss continued

The majority of investments held are subfunds of the newly established Gard Unit Trust Fund, a legal fund structure establised in Ireland. Holdings have moved from Gard Common Contractual Fund to Gard Unit Trust Fund during the year by redeeming and simultaneously subscribing into the new structure. Unrealised gains and losses of units held in old fund struture have been realised and the new fund structure was launched with fresh cost values. Otherwise, no material changes to the investment profile or mandates managed within the Unit Trust Fund.

**Equities and investment funds**

Each subfund hold well diversified portfolios with different investment objectives, and the underlying holdings are common stocks traded on regional stock exchanges. The Company possesses only minority interests in quoted companies.

**Interest-bearing securities and funds**

Funds classified as Interest-bearing securities and funds are predominantly invested in fixed income securities and money markets. There are also some exposure to floating rate loans and private debt.

| | | | **Parent company** |
|---|---|---|---|
| Amounts in USD 000's | Investment profile | Currency | As at 20.02.19 |
| **Equity funds** | | | |
| Gard Global Equity Fund II | Global Equity | USD | 16,595 |
| Gard Global Multifactor Equity Fund | Global Equity | USD | 14,200 |
| Gard Global Impact Equity Fund | Global Equity | USD | 6,816 |
| Gard Emerging Markets Equity Fund | Emerging Market Equity | USD | 5,852 |
| **Total Equity funds** | | | **43,462** |
| **Total Equities and investment funds** | | | **43,462** |
| The part of Equity fund invested in quoted shares | | | 43,462 |

| | | | **Parent company** |
|---|---|---|---|
| Amounts in USD 000's | Investment profile | Currency | As at 20.02.19 |
| **Interest-bearing securities** | | | |
| US Treasury Bills | US Treasury bond | USD | 22,773 |
| **Total Interest-bearing securities** | | | **22,773** |
| **Interest-bearing funds** | | | |
| Gard Global Credit Bond Fund I | Global corporate bonds | USD | 22,716 |
| Gard Global Treasury Fund | Government debt | USD | 46,384 |
| CQS Credit Fund | Global multi asset credit | USD | 27,348 |
| Northern Trust Cash Fund | Money market US Dollar | USD | 22,773 |
| Gard Emerging Market Debt Fund | Emerging market debt | USD | 10,830 |
| Gard Global Bond Fund I | Global aggregate bonds | USD | 52,831 |
| **Total Interest-bearing funds** | | | **182,882** |
| **Total Interest-bearing securities and funds** | | | **205,655** |

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 10 - Financial investments at fair value through profit or loss continued

The consolidated accounts has an equity exposure of 14.9 per cent of it's total investments.

| | | | **Consolidated accounts** |
|---|---|---|---|
| | | | As at |
| Amounts in USD 000's | Investment profile | Currency | 20.02.19 |
| **Equity funds** | | | |
| Gard Global Equity Fund II | Global Equity | USD | 16,595 |
| Gard Global Multifactor Equity Fund | Global Equity | USD | 16,485 |
| Gard Global Impact Equity Fund | Global Equity | USD | 6,816 |
| Gard Emerging Markets Equity Fund | Emerging Market Equity | USD | 5,852 |
| **Total Equity funds** | | | **45,747** |
| | | | |
| **Total Equities and investment funds** | | | **45,747** |
| | | | |
| The part of Equity fund invested in quoted shares | | | 45,747 |

| | | | **Consolidated accounts** |
|---|---|---|---|
| | | | As at |
| Amounts in USD 000's | Investment profile | Currency | 20.02.19 |
| **Interest-bearing securities** | | | |
| US Treasury Bills | US Treasury bond | USD | 22,773 |
| **Total Interest-bearing securities** | | | **22,773** |
| | | | |
| **Interest-bearing funds** | | | |
| Gard Global Credit Bond Fund I | Global corporate bonds | USD | 29,488 |
| Gard Global Treasury Fund | Government debt | USD | 59,271 |
| CQS Credit Fund | Global multi asset credit | USD | 27,348 |
| Northern Trust Cash Fund | Money market US Dollar | USD | 40,914 |
| Gard Emerging Market Debt Fund | Emerging market debt | USD | 10,830 |
| Gard Global Bond Fund I | Global aggregate bonds | USD | 52,831 |
| **Total Interest-bearing funds** | | | **220,682** |
| | | | |
| **Total interest-bearing securities and funds** | | | **243,454** |

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 11 - Financial risk

#### Risk management framework

The purpose of the risk management system is to ensure that material risks are managed in accordance with the Company's corporate objectives and risk-bearing capacity. The risk management system consists of the following components:

*Risk appetite and limits:* Overall Risk Appetite and Comfort Zone (target range for capitalisation) are defined in accordance with risk carrying capacity and corporate objectives. This cascades into limits by risk type and legal entities. This forms the basis for all risk management, monitoring and reporting.

*Risk policies:* There are company policies describing the processes and procedures for managing material risk exposures. The purpose of the policies is to ensure consistent and adequate risk and capital management.

*Risk management cycle:* Material risks are identified, assessed regularly, managed proactively, monitored regularly and reported to the relevant responsible body.

#### Main financial risks

**Market risk**

Market risk arises from the investment activities and the sensitivity of liabilities to changes in market price. The sensitivity analysis of investments assets aims to illustrate the risk of economic losses resulting from deviations in the value of assets caused by changes in observable market prices differing from expected values. The three main market risks selected for testing of sensitivity due due to price changes are;

*Equity risk*

The risk of economic losses resulting from deviations of market values of equities from expected values. The equity portfolio is well diversified, although with skewedness towards emerging markets and smaller companies compared to a global market capitalised benchmark. This is expected to generate a slightly higher return combined with higher volatility over time. The equity portfolio is being managed by a selection of specialist fund managers in which portfolios are partly hedged through a rolling equity index futures program. The sensitivity analysis for equity risk includes equities net of equity index derivatives.

*Interest rate risk*

The risk of economic losses resulting from deviations in actual interest rates from expected interest rates. The term structure of interest-bearing assets is broadly matched to the expected duration of the liabilities. The sensitivity analysis for bond instruments is testing the portfolio's interest rate sensitivity with a weighted average duration approach. Interest sensitive liabilities are not part of the analysis.

*Currency risk*

The risk of economic losses resulting from actual foreign exchange rates differing from expected foreign exchange rates.
Foreign currency exposures are assumed to be tightly matched across the balance sheet and managed with an emphasise on major currency exposures. Currency forward derivatives may also serve as an effective tool for mismatch adjustments.
The sensitivity analysis for foreign currencies only applies to investments assets and illustrates the impact on values given changes in exchange rates against USD.

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 11 - Financial risk continued

The table below splits the balance sheet into the major currencies USD, EUR and GBP, and remaining currencies are grouped into Other. Note that investments held as shares/units in various fund structures are reported in base currency. The split deviates from underlying currency exposure that is used as input in the enterprise risk models.

#### Currency split balance sheet

| | Parent company | | Consolidated accounts | |
|---|---|---|---|---|
| Amounts in USD 000's | As at 20.02.19 | As at 20.02.18 | As at 20.02.19 | As at 20.02.18 |
| **Assets** | | | | |
| USD | 619,608 | 556,258 | 668,324 | 555,000 |
| EUR | 6,331 | 10,850 | 27,323 | 54,906 |
| GBP | 2,900 | 3,307 | 3,049 | 3,522 |
| Other | 56,675 | 137,793 | 47,469 | 139,869 |
| **Total assets** | **685,514** | **708,209** | **746,165** | **753,297** |
| **Equity and liabilities** | | | | |
| USD | 642,669 | 513,810 | 632,875 | 508,109 |
| EUR | 13,501 | 19,718 | 49,063 | 63,681 |
| GBP | 2,259 | 16,742 | 2,302 | 17,466 |
| Other | 27,085 | 157,939 | 61,925 | 164,042 |
| **Total equity and liability** | **685,514** | **708,209** | **746,165** | **753,297** |
| **Net asset exposure** | | | | |
| USD | (23,061) | 42,449 | 35,449 | 46,892 |
| EUR | (7,170) | (8,868) | (21,740) | (8,775) |
| GBP | 641 | (13,435) | 747 | (13,944) |
| Other | 29,590 | (20,145) | (14,456) | (24,172) |

**Financial investments - sensitivity analysis**

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

| | Parent company | | Consolidated accounts | |
|---|---|---|---|---|
| Amounts in USD 000's | As at 20.02.19 | As at 20.02.18 | As at 20.02.19 | As at 20.02.18 |
| Impact on fixed income portfolio investments given an increase of 50 basis points | (2,370) | (1,831) | (5,170) | (2,100) |
| Impact on equity portfolio given a 10 per cent drop in quoted market prices | (4,272) | (6,333) | (4,500) | (6,580) |
| Impact on total investment portfolio given a change of 10 per cent in foreign exchange rates against USD | (5,486) | (5,873) | (5,943) | (6,263) |

The sensitivity analysis assumes no correlation between equity price, real estate 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 Company has no significant risk concentrations which are not in line with the overall investment guidelines set by the Company's Board of Directors. Any impact from risk tested in the table above is not, due to tax regulations, assumed to have any taxable impact.

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 11 - Financial risk continued

**Credit risk**

The risk of economic losses resulting from the default of third parties, split into:

*Credit default risk*
The risk that actual credit losses will be higher than expected due to the failure of counterparties to meet their contractual debt obligation.

*Credit spread risk.*
The risk of economic losses due to the difference in yield between a defined rating class bucket and treasury bills/bonds with the same duration.

*Credit migration risk.*
The risk that a portfolio's credit quality will materially deteriorate over time, without allowing a re-pricing of the constituent loans to compensate the creditor for the higher default risk being undertaken.

*Counterparty default risk*
The main sources of counterparty default risk are reinsurers, cash deposits at banks, derivative counterparties, and receivables from policyholders.

The credit exposure on the reinsurance program is in line with the guidelines of only accepting reinsurers with an A- or higher rating. The Company is, however, faced with BBB rating exposure through the IG Pooling agreement. Among the thirteen clubs, four have ratings of BBB or lower.

Banks and custodians are in line with the guidelines with a credit rating of at least A/stable.

The Company also has counterparty default risk over-the-counter (OTC) financial derivative positions. However, common risk mitigation techniques are exercised to minimise the default risk towards counterparties. The credit risk in respect of receivables is handled by 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 show the credit risk exposure as at 20 February 2019. Assets are classified according to the median rating amongst the three market leading providers, Standard & Poor's, Moody's and Fitch. Top rated assets are denoted with AAA rating and US long-term sovereign credit rating is equivalent to a AAA rating due to an applied median approach.

### Credit risk exposure in balance sheet

| | **Parent company** | | **Consolidated accounts** | |
|---|---|---|---|---|
| Amounts in USD 000's | As at 20.02.19 | As at 20.02.18 | As at 20.02.19 | As at 20.02.18 |
| **Interest-bearing securities and funds** | | | | |
| AA | 45,546 | 23,773 | 63,687 | 35,216 |
| Not rated | 160,109 | 160,906 | 179,767 | 192,520 |
| **Total interest-bearing securities and funds** | **205,655** | **184,679** | **243,454** | **227,736** |
| **Financial derivative assets** | | | | |
| A | 0 | 2,001 | 0 | 2,001 |
| **Total financial derivative assets** | **0** | **2,001** | **0** | **2,001** |
| **Other financial investments** | | | | |
| A | 3 | 15,961 | 4 | 15,956 |
| Not rated | 5 | 0 | 8 | 0 |
| **Total other financial investments** | **8** | **15,961** | **12** | **15,956** |
| **Reinsurers' share of gross premium reserve** | | | | |
| A | 67,615 | 50,843 | 71,536 | 54,070 |
| **Total reinsurers' share of gross premium reserve** | **67,615** | **50,843** | **71,536** | **54,070** |
| **Reinsurers' share of gross claims reserve** | | | | |
| AA | 13,364 | 20,470 | 13,364 | 20,499 |
| A | 134,987 | 123,044 | 147,016 | 123,217 |
| B | 3,372 | 0 | 3,372 | 0 |
| BBB | 0 | 5 | 9,952 | 6,016 |
| Not rated | 430 | 214 | 458 | 1,712 |
| **Total reinsurers' share of gross claims reserve** | **152,153** | **143,734** | **174,163** | **151,444** |

# GARD MARINE & ENERGY LIMITED
## Notes to the accounts

### Note 11 - Financial risk continued

| Amounts in USD 000's | Parent company As at 20.02.19 | Parent company As at 20.02.18 | Consolidated accounts As at 20.02.19 | Consolidated accounts As at 20.02.18 |
|---|---|---|---|---|
| **Receivables** | | | | |
| A | 24,685 | 24,599 | 3,115 | 5,121 |
| Not rated | 114,509 | 88,003 | 169,715 | 132,424 |
| **Total receivables** | **139,194** | **112,602** | **172,830** | **137,545** |
| **Cash and cash equivalents** | | | | |
| AA | 1,141 | 4,243 | 11,947 | 17,015 |
| **Total cash and cash equivalents** | **1,141** | **4,243** | **11,947** | **17,015** |
| **Other financial assets** | | | | |
| AA | 10,521 | 5,000 | 10,521 | 5,000 |
| A | 0 | 6,256 | 0 | 6,256 |
| **Total other financial assets** | **10,521** | **11,256** | **10,521** | **11,256** |

### Age analysis of receivables after provision for bad debt

| Amounts in USD 000's | Parent company As at 20.02.19 | Parent company As at 20.02.18 | Consolidated accounts As at 20.02.19 | Consolidated accounts As at 20.02.18 |
|---|---|---|---|---|
| Not due | 128,110 | 105,869 | 155,973 | 122,820 |
| 0-60 days | 6,556 | 5,275 | 9,998 | 10,034 |
| 61-90 days | 1,247 | 980 | 1,642 | 1,254 |
| Above 90 days | 6,924 | 4,243 | 8,901 | 7,297 |
| Provision for bad debt | (3,644) | (3,765) | (3,685) | (3,860) |
| **Total** | **139,194** | **112,602** | **172,830** | **137,545** |

**Impaired receivables**

As at 20 February 2019 there are impaired receivables in the parent company of USD 3.9 million (20 February 2018 USD 4.0 million) and there are impaired receivables in the consolidated accounts of USD 4.0 million (20 February 2018 USD 4.1 million), related to past due. 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.

### Analysis of provision for bad debt

| Amounts in USD 000's | Parent company As at 20.02.19 | Parent company As at 20.02.18 | Consolidated accounts As at 20.02.19 | Consolidated accounts As at 20.02.18 |
|---|---|---|---|---|
| Balance as at the beginning of the period | 3,765 | 4,081 | 3,860 | 4,095 |
| Provision for receivables impairment | (122) | (316) | (176) | (234) |
| Receivables written off during the year as uncollectable | (287) | (133) | (261) | (123) |
| Unused amounts reversed | 287 | 133 | 261 | 123 |
| **Balance as at the end of the period** | **3,644** | **3,765** | **3,685** | **3,860** |

The creation and release of provision for impaired receivables has been included in 'other insurance related expenses' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

## Note 11 - Financial risk continued

**Liquidity risk**

The risk that cash and other liquid assets are insufficient to meet financial obligations when they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows 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 Abp filial i Norge and a cash pool agreement between Gard P. & I. (Bermuda) Ltd., Gard Marine & Energy Limited, Gard AS and AS Assuransegården improves access to liquidity across the legal entities.

*Maturity profile*

The following tables set out the maturity profile of liabilities combining amounts expected to be recovered within one year, between one and five years and more than five years.

The Company maintains highly marketable financial investments and diverse assets that can be 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 a presentation of how assets and liabilities have been matched.

| | | | | | **Parent company** |
|---|---|---|---|---|---|
| Amounts in USD 000's | Within 1 year | 1-5 years | More than 5 years | No maturity date | As at 20.02.19 Total |
| Gross claim reserve | 115,271 | 160,980 | 7,095 | 0 | 283,346 |
| Income tax payable | 4,414 | 0 | 0 | 0 | 4,414 |
| Payables and accruals | 85,146 | 0 | 0 | 0 | 85,146 |
| Other payables | 47 | 0 | 0 | 0 | 47 |

| | | | | | **Parent company** |
|---|---|---|---|---|---|
| Amounts in USD 000's | Within 1 year | 1-5 years | More than 5 years | No maturity date | As at 20.02.18 Total |
| Gross claim reserve | 110,025 | 156,952 | 7,127 | 0 | 274,104 |
| Income tax payable | 1,498 | 0 | 0 | 0 | 1,498 |
| Payables and accruals | 83,380 | 0 | 0 | 0 | 83,380 |
| Other payables | 130 | 0 | 0 | 0 | 130 |

| | | | | | **Consolidated accounts** |
|---|---|---|---|---|---|
| Amounts in USD 000's | Within 1 year | 1-5 years | More than 5 years | No maturity date | As at 20.02.19 Total |
| Gross claim reserve | 132,241 | 184,681 | 8,140 | 0 | 325,062 |
| Income tax payable | 4,447 | 0 | 0 | 0 | 4,447 |
| Payables and accruals | 84,538 | 0 | 0 | 0 | 84,538 |
| Other payables | 183 | 0 | 0 | 0 | 183 |

| | | | | | **Consolidated accounts** |
|---|---|---|---|---|---|
| Amounts in USD 000's | Within 1 year | 1-5 years | More than 5 years | No maturity date | As at 20.02.18 Total |
| Gross claim reserve | 117,958 | 168,268 | 7,641 | 0 | 293,867 |
| Income tax payable | 1,634 | 0 | 0 | 0 | 1,634 |
| Payables and accruals | 85,954 | 0 | 0 | 0 | 85,954 |
| Other payables | 278 | 0 | 0 | 0 | 278 |

## Note 12 - Financial derivatives at fair value through profit or loss

### Accounting policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Company does not practice hedge accounting.

### Financial derivatives

Financial derivatives are integrated components in the investment philosophies and strategies of the Company'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 investment management. The Gard group has implemented 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. The program was terminated during the year.

**Investment guidelines**

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

The aggregate economic exposure of the company's investment portfolio may not exceed 100 per cent of the portfolio's market value, i.e., there must be no leverage or gearing of the portfolio.

*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 there is independent verification based on alternative sources of data. The global custodian is responsible for compliance monitoring and reporting both at the overall fund level and the individual portfolio level. The investment managers are also subject to a bi-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 investments are carried at independently sourced market values.
Underlying contract values represent the value of the underlying gross commitments of all open contracts.

**Types of financial derivatives used during the financial year**

*Forward 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 investment at a specific price within a specified period of time. An interest rate option can be written on cash investments 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 investment 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 investment 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 futures*

An equity index future 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 an amount based on an equity index at designated point in time.

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 12 - Financial derivatives at fair value through profit or loss continued

| | | | | | |
|---|---|---|---|---|---|
| | **Parent company / Consolidated accounts** | | | | |
| Amounts in USD 000's | Within 1 year | 1-5 years | More than 5 years | Total Notional 20.02.19 | Fair value 20.02.19 |
| **Type of derivatives** | | | | | |
| **Interest rate related** | | | | | |
| Futures | 0 | 0 | 0 | 0 | 0 |
| Swaps | 0 | 0 | 0 | 0 | 0 |
| **Net interest rate related** | **0** | **0** | **0** | **0** | **0** |
| | | | | | |
| **Equity related contracts** | | | | | |
| Futures | 0 | 0 | 0 | 0 | 0 |
| **Net equity related** | **0** | **0** | **0** | **0** | **0** |
| | | | | | |
| **Foreign currency related** | | | | | |
| Forward foreign exchange contracts | 0 | 0 | 0 | 0 | 0 |
| **Net foreign currency related** | **0** | **0** | **0** | **0** | **0** |
| | | | | | |
| **Net financial derivative liabilities** | | | | | **0** |
| | | | | | |
| Financial derivative assets | | | | | 0 |
| Financial derivative liabilities | | | | | 0 |
| **Net financial derivative liabilities** | | | | | **0** |

| | | | | | |
|---|---|---|---|---|---|
| | **Parent company / Consolidated accounts** | | | | |
| Amounts in USD 000's | Within 1 year | 1-5 years | More than 5 years | Total Notional 20.02.18 | Fair value 20.02.18 |
| **Type of derivatives** | | | | | |
| **Interest rate related** | | | | | |
| Futures | 53,857 | 33,808 | 12,868 | 100,533 | 0 |
| Swaps | 28,995 | 14,122 | 0 | 43,117 | (258) |
| **Net interest rate related** | **82,852** | **47,930** | **12,868** | **143,651** | **(258)** |
| | | | | | |
| **Equity related contracts** | | | | | |
| Futures | 57,118 | 0 | 0 | 57,118 | 0 |
| **Net equity related** | **57,118** | **0** | **0** | **57,118** | **0** |
| | | | | | |
| **Foreign currency related** | | | | | |
| Forward foreign exchange contracts | 221,665 | 0 | 0 | 221,665 | (5,817) |
| **Net foreign currency related** | **221,665** | **0** | **0** | **221,665** | **(5,817)** |
| | | | | | |
| **Net financial derivative liabilities** | | | | | **(6,075)** |
| | | | | | |
| Financial derivative assets | | | | | 2,001 |
| Financial derivative liabilities | | | | | (8,077) |
| **Net financial derivative liabilities** | | | | | **(6,075)** |

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 13 - Receivables from direct insurance operations

| | Parent company | | Consolidated accounts | |
|---|---|---|---|---|
| | As at | As at | As at | As at |
| Amounts in USD 000's | 20.02.19 | 20.02.18 | 20.02.19 | 20.02.18 |
| Direct and received premium | 1,899 | 3,074 | 3,132 | 4,433 |
| Direct and received premium through broker | 61,755 | 42,675 | 87,186 | 67,313 |
| Not closed premium | 23,286 | 22,189 | 36,733 | 35,960 |
| Claims related debtors, co-insurers | 14,161 | 13,675 | 27,316 | 18,357 |
| Provision for bad debts | (796) | (890) | (837) | (985) |
| **Receivables from direct insurance operations** | **100,305** | **80,723** | **153,531** | **125,078** |

### Note 14 - Cash and cash equivalents

#### Accounting policy

Cash and cash equivalents include cash in hand and deposits held at call with banks, brokers and fund managers. In the balance sheet, cash and cash equivalents that relate to investment management is presented as other financial investments. All other cash is presented as cash and cash equivalents. In the cash flow statement, cash and cash equivalents do not include cash and cash equivalents presented as other financial investments.

#### Cash and cash equivalents

Cash and cash equivalents includes restricted cash amounting to USD 0.7 million as at 20 February 2019 (20 February 2018 USD 0.8 million). The Company has a group account agreement and participates in a cash pool agreement. Both agreements are made with the Company's main bank, Nordea Bank Abp filial i Norge. 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 Abp filial i Norge for an amount of USD 40 million. (20 February 2018 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.

# GARD MARINE & ENERGY LIMITED
## Notes to the accounts

### Note 15 - Statutory reserve

| Amounts in USD 000's | Shares | Per cent |
|---|---|---|
| **Owners equity** | | |
| Gard P. & I. (Bermuda) Ltd. | 190,000 | 100% |

Par Value is USD 1,000 per share. All shares have the same rights in the Company. All shares are owned by Gard P. & I. (Bermuda) Ltd. The Company is consolidated into the accounts of Gard P. & I. (Bermuda) Ltd. as at 20 February 2019 and the consolidated accounts are available at the office of Gard P. & I. (Bermuda) Ltd`s management company Lingard Ltd. in Bermuda.

Gard Marine & Energy Limited is registered under and regulated by the Insurance Act 1978 and the regulations. The Company is under the supervision of 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 February 2019.

### Note 16 - Statutory and regulatory requirement

Gard Marine & Energy Limited has operations which are subject to laws and regulations in Bermuda and Norway. The statutory capital and surplus in Bermuda and Norway as at 20 February 2019 and 2018 was as follows:

| | **Bermuda (a)** | | **Norway (b)** | |
|---|---|---|---|---|
| Amounts in USD 000's | As at 20.02.19 | As at 20.02.18 | As at 20.02.19 | As at 20.02.18 |
| Required statutory capital and surplus | 19,679 | 89,113 | 64,219 | 77,814 |
| Actual capital and surplus | 188,413 | 247,918 | 85,165 | 83,226 |

(a) Gard Marine & Energy Limited are required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin ("MSM") and the Enchanced Capital Requirement ("ECR"). The ECR is equal to the higher of MSM or the Bermuda Solvency Capital Requirement ("BSCR") model or approved internal capital model. The BSCR for Gard Marine & Energy Limited for the year ended 20 February 2019 will not be filed with the BMA until June 2019. As a result, the required statutory capital and surplus as at 20 February 2019 is based on the MSM, whereas the required statutory capital and surplus as at 20 February 2018 is based on the MSM and ECR.

(b) Gard Marine & Energy Limited Norwegian branch are required to maintain minimum capital and surplus equal to the Solvency Capital Requirement ("SCR") under Solvency II. The SCR, which is part of the Solvency II reporting package, will not be filed with the Norwegian Financial Services Authority 'Finanstilsynet' until May 2019. As a result, preliminary figures are included as at February 20 2019.

### Note 17 - Liabilities not included in the balance sheet

Rent included in the consolidated accounts is charged to the statement of comprehensive income in the period the offices are used. Any remaining rental liabilities are not included in the balance sheet. Rental liabilities amount to USD 31,703 as at 20 February 2019 for parent company (20 February 2018 USD 33,236). Total costs regarding rent in the consolidated accounts amount to USD 31,703 as at 20 February 2019 (20 February 2018 USD 33,236).