
FINANCIAL STATEMENTS 2021

GARD MARINE & ENERGY LIMITED

for the year to 20 February 2021





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, 2021, 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, 2021, 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, 2021, and 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, 2021, and 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.



Independence

We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

Reference: Independent Auditor's Report on the Financial Statements of the Company and the Consolidated Financial Statements of the Group; Gard Marine & Energy Limited as at February 20, 2021 and for the year then ended



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.

Reference: Independent Auditor's Report on the Financial Statements of the Company and the Consolidated Financial Statements of the Group; Gard Marine & Energy Limited as at February 20, 2021 and for the year then ended



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.

Private Home Coopers Ltd.

Chartered Professional Accountants

Hamilton, Bermuda

May 12, 2021

GARD MARINE & ENERGY LIMITED

Statement of comprehensive income

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Technical account					
Gross written premium	4, 5	370,305	318,882	416,737	354,412
Gross earned premium	5	326,259	276,444	367,813	313,232
Ceded reinsurance	5	(197,927)	(169,804)	(208,531)	(181,419)
Earned premium for own account	5	128,331	106,640	159,282	131,813
Other insurance related income		11	221	11	268
Gross incurred claims	5	251,780	155,749	282,476	191,075
Reinsurers' share of gross incurred claims	5	(147,347)	(80,276)	(151,845)	(81,262)
Claims incurred for own account	5	104,434	75,473	130,632	109,813
Acquisition costs	6	10,799	11,725	15,532	17,687
Agents' commission	6	42,801	35,597	38,726	31,416
Commission received	6	(40,191)	(34,483)	(42,194)	(35,751)
Insurance related expenses for own account	6	13,409	12,838	12,064	13,351
Other insurance related expenses	6	1,231	1,102	1,799	1,795
Technical result		9,269	17,448	14,797	7,121
Non-technical account					
Interest and similar income	7	1,871	1,974	4,598	1,509
Change in unrealised gain on investments	10	10,597	10,162	12,021	10,655
Gain on realisation of investments		2,986	2,944	2,986	3,173
Other investment expenses		(62)	(97)	(48)	(116)
Non-technical result		15,392	14,983	19,557	15,223
Profit before tax		24,661	32,431	34,354	22,344
Taxation	8	3,050	8,565	5,835	6,644
Net result		21,611	23,866	28,520	15,699
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on subsidiaries		0	0	(35)	(29)
Total comprehensive income		21,611	23,866	28,485	15,671

GARD MARINE & ENERGY LIMITED

Balance sheet

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Assets					
Investments					
<i>Financial investments in subsidiaries</i>					
Investments in subsidiaries	9	56,471	56,471	0	0
<i>Financial investments at fair value through profit or loss</i>					
Equities and investment funds	10	42,469	48,667	45,238	51,142
Interest-bearing securities and funds	10, 11	254,896	191,011	312,413	235,234
Other financial investments	10, 11	20,248	12	20,249	13
Total investments		374,084	296,161	377,899	286,389
Reinsurers' share of technical provisions					
Reinsurers' share of gross premium reserve	5, 11	125,338	101,862	126,698	102,868
Reinsurers' share of gross claims reserve	5, 11	196,728	130,786	205,081	141,632
Total reinsurers' share of technical provisions	5	322,066	232,649	331,780	244,500
Receivables					
<i>Receivables from direct insurance operations</i>					
Policyholders	12	11,792	6,080	13,330	7,281
Intermediaries	12	140,762	106,100	211,348	163,867
<i>Receivables from reinsurance operations</i>					
Receivables from reinsurance operations		75	946	197	3,435
Receivables from group companies		33,139	34,183	0	9,774
<i>Other receivables</i>					
Other receivables		0	0	9	10
Other receivables from group companies		11,918	13,363	12,288	13,411
Total receivables	11	197,686	160,673	237,173	197,778
Other assets					
Equipment		0	0	16	0
Cash and cash equivalents	11, 13	6,574	4,396	16,167	13,124
Deferred tax asset	8	1,025	1,008	1,352	3,231
Other financial assets	11	10,653	10,635	16,054	10,635
Total other assets		18,252	16,040	33,589	26,991
Prepayments and accrued income					
Accrued income and other prepayments	11	25,177	20,824	22,216	18,269
Total prepayments and accrued income		25,177	20,824	22,216	18,269
Total assets		937,266	726,346	1,002,657	773,925

GARD MARINE & ENERGY LIMITED

Balance sheet

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Equity and liabilities					
Equity					
<i>Paid-in equity</i>					
Statutory reserve	14	190,000	190,000	190,000	190,000
<i>Retained earnings</i>					
Guarantee scheme	14	77	64	77	64
Other equity		33,813	17,215	35,077	11,605
Total equity	15	223,890	207,279	225,154	201,669
Technical provisions					
Gross premium reserve	5	210,632	166,586	230,819	181,895
Gross claims reserve	5, 11	336,019	253,249	372,999	292,905
Total technical provisions		546,651	419,834	603,818	474,801
Provisions for other liabilities					
Income tax payable	8, 11	12,622	12,241	13,219	12,243
Total provisions for other liabilities		12,622	12,241	13,219	12,243
Payables					
Payables arising out of direct insurance operations	11	12,569	4,471	17,892	7,742
Payables arising out of reinsurance operations	11	50,718	7,774	52,013	9,286
Payables arising out of reinsurance operations - group companies	11	68,168	55,921	66,118	48,342
Payables group companies	11	635	74	1,128	283
Other payables	11	101	69	793	385
Total payables		132,191	68,309	137,944	66,038
Accruals and deferred income					
Accruals and deferred income		21,911	18,684	22,522	19,175
Total accruals and deferred income		21,911	18,684	22,522	19,175
Total liabilities		713,376	519,067	777,503	572,256
Total equity and liabilities		937,266	726,346	1,002,657	773,925

GARD MARINE & ENERGY LIMITED

Statement of changes in equity

Amounts in USD 000's	Parent company				Consolidated accounts			
	Statutory reserve	Guarantee scheme	Other equity	Total	Statutory reserve	Guarantee scheme	Other equity	Total
Equity as at 21.02.19	190,000	0	(1,587)	188,413	190,000	0	999	190,999
Net result	0	0	23,866	23,866	0	0	15,699	15,699
Dividend	0	0	(5,000)	(5,000)	0	0	(5,000)	(5,000)
Provision to obliged fund	0	64	(64)	0	0	64	(64)	0
Exchange differences on subsidiaries	0	0	0	0	0	0	(29)	(29)
Equity as at 20.02.20	190,000	64	17,215	207,279	190,000	64	11,605	201,669
Equity as at 21.02.20	190,000	64	17,215	207,279	190,000	64	11,605	201,669
Net result	0	0	21,611	21,611	0	0	28,520	28,520
Dividend	0	0	(5,000)	(5,000)	0	0	(5,000)	(5,000)
Provision to obliged fund	0	13	(13)	0	0	13	(13)	0
Exchange differences on subsidiaries	0	0	0	0	0	0	(35)	(35)
Equity as at 20.02.21	190,000	77	33,813	223,890	190,000	77	35,077	225,154

GARD MARINE & ENERGY LIMITED

Statement of cash flow

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Cash flow from operating activities					
Profit/(loss) before tax		24,661	32,431	34,354	22,344
Tax paid	8	(2,985)	(561)	(2,985)	(1,933)
Change in unrealised gain on investments		(10,597)	(10,162)	(12,021)	(10,655)
Financial investments		(67,326)	19,597	(79,490)	13,480
Change in receivables and payables		26,851	(22,679)	27,093	(27,166)
Change in technical provisions and other accruals		36,275	(356)	41,136	10,503
Change in valuation due to change in exchange rates		299	(281)	(46)	(395)
Net cash flow from operating activities		7,177	17,990	8,043	6,177
Cash flow from investment activities					
Capital contribution paid to subsidiary	3	0	(9,734)	0	0
Net cash flow from investment activities		0	(9,734)	0	0
Cash flow from financial activities					
Dividend paid to group company	3	(5,000)	(5,000)	(5,000)	(5,000)
Net cash flow from financial activities		(5,000)	(5,000)	(5,000)	(5,000)
Net change in cash and cash equivalents		2,177	3,256	3,043	1,177
Cash and cash equivalents at beginning of the year		4,396	1,141	13,124	11,947
Cash and cash equivalents at the end of the year	11	6,574	4,396	16,167	13,124

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 a 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 Brazilian 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 2020 to 20 February 2021.

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 statement of comprehensive income 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 statement of comprehensive income 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 financial statements. Events after the reporting period that do not affect the 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
Cash and cash equivalents	13

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.

Amounts in USD 000's	Received from Gard M&E Europe	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Reinsurance	72,217	58,737
Reinsurers' share of gross settled claims	48,548	53,621
Reinsurance commission	18,255	15,661

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.

Amounts in USD 000's	Ceded to Gard Re	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Reinsurance	128,331	106,640
Reinsurers' share of gross settled claims	76,020	73,246
Reinsurance commission	30,444	25,734

Amounts in USD 000's	Ceded to Gard Re	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Reinsurers' share of gross claims reserve	122,292	108,382

Insurance management agreement

The Company has appointed Lingard as its 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's 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.

In addition, secondment agreements have been entered into between the insurance branches in Singapore and Hong Kong, and the insurance intermediary service company in the same country. Costs related to these agreements are reimbursed by the insurance branches directly to the insurance intermediary service companies.

Amounts in USD 000's	Insurance services invoiced	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Lingard Limited	24,404	22,351
Gard (Singapore) Pte. Ltd	1,362	1,529
Gard (HK) Limited	864	674

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 a reinsurance agency agreement with Gard Brasil, whereby Gard Brasil acts as local representative in Brasil.

Amounts in USD 000's	Insurance services invoiced	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Gard Brasil	513	491

Dividends and capital contributions

Amounts in USD 000's	Dividends paid	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Gard P. & I. (Bermuda) Ltd.	5,000	5,000

Amounts in USD 000's	Capital contribution paid	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Gard M&E Europe	0	9,734

Note 4 - Gross written premium by geographical areas

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
EEA	123,740	135,323	226,792	220,784
Norway	131,728	106,819	48,763	44,142
Other areas	114,837	76,740	141,182	89,485
Total gross written premium	370,305	318,882	416,737	354,412

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

A Member is an owner, operator or charterer (including a bareboat or demise charterer) or a ship entered in the Association who according to the Articles of the Association and the Rules is entitled to membership of the Association. Client is defined as any entity with an active insurance cover from the Gard group of companies that is not in the capacity of a Member (P&I Owners' Entry and Charterer's Entry). Members may also be a Client of Gard.

Members with location in the United Kingdom has been included in Other areas as from the financial year ending 20 February 2021, with USD 19.3 million in the parent accounts and USD 28.4 million in the consolidated accounts (included in EEA for the previous financial year with USD 21.5 million in the parent accounts and USD 27.6 million in the consolidated accounts).

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.

Amounts in USD 000's	Parent company			Consolidated accounts		
	Marine	Energy	21.02.20 to 20.02.21 Total	Marine	Energy	21.02.20 to 20.02.21 Total
Technical result						
Gross written premium	303,355	66,950	370,305	342,616	74,121	416,737
Gross earned premium	272,151	54,107	326,259	308,368	59,445	367,813
Ceded reinsurance	(167,516)	(30,411)	(197,927)	(176,807)	(31,724)	(208,531)
Earned premium for own account	104,635	23,697	128,331	131,560	27,721	159,282
Claims incurred, gross						
Incurred this year	201,198	27,245	228,443	223,699	28,354	252,052
Incurred previous years	20,445	2,892	23,337	25,763	4,661	30,424
Total claims incurred, gross	221,643	30,137	251,780	249,461	33,015	282,476
Reinsurers' share of gross incurred claims	(134,264)	(13,082)	(147,347)	(138,762)	(13,082)	(151,845)
Claims incurred for own account	87,379	17,055	104,434	110,699	19,933	130,632

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 statement of comprehensive income.

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.

Amounts in USD 000's	Parent company			Consolidated accounts		
	Marine	Energy	Total	Marine	Energy	Total
			21.02.20 to 20.02.21			21.02.20 to 20.02.21
Technical provisions gross						
Provisions, at the beginning of the year	196,319	56,930	253,249	232,465	60,440	292,905
Claims paid	(155,805)	(13,204)	(169,010)	(187,434)	(14,949)	(202,383)
Claims incurred - gross this year	201,198	27,245	228,443	223,699	28,354	252,052
Claims incurred - gross previous years	20,445	2,892	23,337	25,763	4,661	30,424
Provisions, at the end of the year	262,156	73,863	336,019	294,492	78,506	372,999
Reinsurers' share of claims provision	(163,314)	(33,414)	(196,728)	(171,668)	(33,414)	(205,081)
Provisions net, at the end of the year	98,842	40,449	139,291	122,825	45,093	167,917
Provision for unearned premiums, gross	168,691	41,942	210,632	184,599	46,220	230,819
Reinsurers' share of premiums provision	(104,112)	(21,227)	(125,338)	(105,160)	(21,538)	(126,698)
Provision for unearned premiums, net	64,579	20,715	85,294	79,439	24,682	104,121
Provision for outstanding claims						
Technical provision gross	262,156	73,863	336,019	294,492	78,506	372,999
Technical provision net	98,842	40,449	139,291	122,825	45,093	167,917

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 333.3 million and USD 388.7 million for parent company and between USD 369.6 million and USD 374.4 million 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	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Amounts in USD 000's				
Acquisition costs and commissions				
Insurance intermediary	10,799	11,725	15,532	17,687
Agents' commission	42,801	35,597	38,726	31,416
Commission received	(40,191)	(34,483)	(42,194)	(35,751)
Insurance related expenses for own account	13,409	12,838	12,064	13,351

	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Amounts in USD 000's				
Remuneration auditor				
Auditing fee	250	341	283	366
Tax advising	7	7	7	16
Total auditors' fee	257	347	290	382

	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Amounts in USD 000's				
Net operating expenses				
Bad debt	929	376	1,693	470
Service cost	27,142	25,045	38,892	36,462
Allocated to claims handling and acquisition costs	(27,633)	(25,140)	(41,052)	(37,498)
Other operating expenses	793	821	2,266	2,362
Other insurance related expenses	1,231	1,102	1,799	1,795

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	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Amounts in USD 000's				
Interest and similar income				
Income from financial investments	882	2,426	915	2,793
Foreign exchange gain/(loss)	989	(452)	3,683	(1,284)
Total interest and similar income/(expenses)	1,871	1,974	4,598	1,509

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.

	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Amounts in USD 000's				
Basis for income tax expense, changes in deferred tax and tax payable				
Total comprehensive income/(loss) as basis for tax calculation	16,673	32,624	26,366	22,536
Basis for calculating tax	16,673	32,624	26,366	22,536
Permanent differences	(4,330)	1,674	(7,322)	8,661
Basis for the tax expense for the year	12,343	34,298	19,045	31,197
Change in temporary differences	4,100	4,033	11,681	4,133
Basis for payable taxes in the income statement	16,443	38,331	30,726	35,330
Change in tax losses carried forward	0	0	(14,085)	(3,092)
Taxable income (basis for payable taxes in the balance sheet)	16,443	38,331	44,811	38,423
Income tax expenses				
Tax payable	3,103	8,678	3,176	8,717
Tax correction earlier year	(19)	(9)	(19)	1,294
Change in deferred tax	(17)	(103)	2,105	(2,508)
Correction in deferred tax earlier year	(22)	0	(22)	(859)
Accrual tax in foreign branches	6	0	594	0
Tax expenses ordinary result	3,050	8,565	5,835	6,644
Income tax payable				
Tax at beginning of the year	12,241	4,414	12,243	4,447
Tax payable related to the year	3,082	8,678	3,670	9,989
Tax paid during the year	(2,985)	(561)	(2,985)	(1,933)
Tax correction earlier year	(32)	1	(32)	1
Exchange adjustments	317	(291)	323	(261)
Tax payable at end of the year	12,622	12,241	13,219	12,243
Deferred tax/tax asset				
Specification of tax effect resulting from temporary differences				
Portfolio investments	0	0	(2,274)	(850)
Tax loss carried forward	0	0	6,027	13,218
Other temporary differences	4,100	4,033	5,136	4,166
Retained earnings	0	0	(3,481)	(3,610)
Total temporary differences	4,100	4,033	5,409	12,924
Deferred tax/tax asset, 25 per cent of total temporary differences	1,025	1,008	1,352	3,231
Net deferred tax/tax asset of total temporary differences	1,025	1,008	1,352	3,231

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 exempted from all such taxes until 28 March 2035.

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Reconciliation of the tax expense				
Basis for calculating tax	16,673	32,624	26,366	22,536
Calculated tax 25%	4,168	8,156	6,592	5,634
Tax expense	3,050	8,565	5,835	6,644
Difference	1,118	(409)	757	(1,010)
The difference consist of:				
Tax correction earlier year	19	1	19	930
Permanent differences not subject to tax	1,082	(418)	1,830	(2,165)
Currency effect posted to Non-technical result	0	0	(611)	252
Tax in foreign branches	(6)	10	(619)	8
Other differences	22	0	136	(36)
Sum explained differences	1,118	(409)	757	(1,010)

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 20.02.2021
Gard M&E Europe	100%	100%	Norway	NOK	434,011	56,166
Gard Brasil	99%	99%	Brasil	BRL	614	305
Total						56,471

GARD MARINE & ENERGY LIMITED

Notes to the accounts

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

Accounting policy

Classification

The Company 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 where 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 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 derivatives 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

Amounts in USD 000's	Parent company				Parent company			
	As at 20.02.21				As at 20.02.20			
	Quoted market prices	Observable market data	Non observable market data	Total	Quoted market prices	Observable market data	Non observable market data	Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Financial investments								
Equities and investment funds	0	42,469	0	42,469	0	48,667	0	48,667
Interest-bearing securities and funds	98,600	156,296	0	254,896	49,648	141,363	0	191,011
Other financial investments	20,248	0	0	20,248	12	0	0	12
Total financial investments	118,849	198,765	0	317,613	49,661	190,030	0	239,690

Amounts in USD 000's	Consolidated accounts				Consolidated accounts			
	As at 20.02.21				As at 20.02.20			
	Quoted market prices	Observable market data	Non observable market data	Total	Quoted market prices	Observable market data	Non observable market data	Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Financial investments								
Equities and investment funds	0	45,238	0	45,238	0	51,142	0	51,142
Interest-bearing securities and funds	114,784	197,628	0	312,413	63,668	171,566	0	235,234
Other financial investments	20,249	0	0	20,249	13	0	0	13
Total financial investments	135,033	242,866	0	377,899	63,681	222,707	0	286,389

GARD MARINE & ENERGY LIMITED

Notes to the accounts

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

The majority of investments held are subfunds of the Gard Unit Trust Fund, a legal fund structure established in Ireland.

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.

Amounts in USD 000's	Investment profile	Currency	Parent company
			As at 20.02.2021
Equity funds			
Gard Global Multifactor Equity Fund	Global Equity	USD	17,207
Gard Global Impact Equity Fund	Global Equity	USD	10,901
Gard Global Equity Fund II	Global Equity	USD	5,765
Gard Emerging Markets Equity Fund	Emerging Market Equity	USD	8,596
Total Equity funds			42,469
Total Equities and investment funds			42,469
The part of Equity fund invested in quoted shares			42,469

Amounts in USD 000's	Investment profile	Currency	Parent company
			As at 20.02.2021
Interest-bearing securities			
United States Treasuries	US Treasury bonds	USD	28,977
Total Interest-bearing securities			28,977
Interest-bearing funds			
Gard Global Treasury Fund	Government debt	USD	18,582
Gard Strategic Global Bond Fund	Global aggregate bonds	USD	26,508
Gard Global Credit Bond Fund I	Global corporate bonds	USD	17,622
Northern Trust Cash Fund	Money market US Dollar	USD	59,802
Gard Emerging Market Debt Fund	Emerging market debt	USD	12,350
Gard Global Bond Fund I	Global aggregate bonds	USD	53,959
CQS Credit Fund	Global multi asset credit	USD	27,275
MFC Ishares TIPS	Government debt	USD	9,821
Total Interest-bearing funds			225,919
Total Interest-bearing securities and funds			254,896

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 11.77 per cent (financial year ending 20 February 2020 17.5 per cent) of its total investments:

Amounts in USD 000's	Investment profile	Currency	Consolidated accounts
			As at 20.02.2021
Equity funds			
Gard Global Multifactor Equity Fund	Global Equity	USD	17,207
Gard Global Impact Equity Fund	Global Equity	USD	13,670
Gard Global Equity Fund II	Global Equity	USD	5,765
Gard Emerging Markets Equity Fund	Emerging Market Equity	USD	8,596
Total Equity funds			45,238
Total Equities and investment funds			45,238
The part of Equity fund invested in quoted shares			45,238

Amounts in USD 000's	Investment profile	Currency	Consolidated accounts
			As at 20.02.2021
Interest-bearing securities			
United States Treasuries	US Treasury bonds	USD	28,977
Total Interest-bearing securities			28,977
Interest-bearing funds			
Gard Global Treasury Fund	Government debt	USD	27,156
Gard Strategic Global Bond Fund	Global aggregate bonds	USD	51,751
Gard Global Credit Bond Fund I	Global corporate bonds	USD	25,137
Northern Trust Cash Fund	Money market US Dollar	USD	75,986
Gard Emerging Market Debt Fund	Emerging market debt	USD	12,350
Gard Global Bond Fund I	Global aggregate bonds	USD	53,959
CQS Credit Fund	Global multi asset credit	USD	27,275
MFC Ishares TIPS	Government debt	USD	9,821
Total Interest-bearing funds			283,435
Total interest-bearing securities and funds			312,413

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

The Covid -19 pandemic situation was monitored closely throughout 2020, not only the development of market risk, but also insurance risk, counterparty risk, operational risk and liquidity risk. During the year, management took steps to manage the adverse financial and operational effects as events unfolded, with satisfactory results as the year came to an end. Future challenges due to Covid-19 might arise, however the experience from the previous year will strengthen the risk management going forward.

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 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

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Assets				
USD	839,834	641,053	879,295	672,841
EUR	10,237	7,077	44,591	30,037
GBP	6,109	3,099	6,407	3,288
Other	81,086	75,117	72,363	67,759
Total assets	937,266	726,346	1,002,657	773,925
Equity and liabilities				
USD	866,293	668,846	838,875	635,572
EUR	16,223	15,495	76,108	61,727
GBP	7,665	2,591	8,366	3,096
Other	47,085	39,414	79,308	73,531
Total equity and liability	937,266	726,346	1,002,657	773,925
Net asset exposure				
USD	(26,459)	(27,793)	40,420	37,269
EUR	(5,986)	(8,418)	(31,516)	(31,690)
GBP	(1,556)	508	(1,958)	192
Other	34,001	35,703	(6,945)	(5,772)

Financial investments - sensitivity analysis

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

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Impact on fixed income portfolio investments given an increase of 50 basis points	(3,158)	(2,692)	(3,916)	(3,339)
Impact on equity portfolio given a 10 per cent drop in quoted market prices	(4,249)	(4,870)	(4,526)	(5,117)
Impact on total investment portfolio given a change of 10 per cent in foreign exchange rates against USD	(5,698)	(6,334)	(6,614)	(7,112)

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 BB/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 2021. 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

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Interest-bearing securities and funds				
AAA	59,802	11,971	75,986	25,991
AA	28,977	37,677	28,977	37,677
Not rated	166,117	141,363	207,449	171,566
Total interest-bearing securities and funds	254,896	191,011	312,413	235,234
Other financial investments				
A	20,248	12	20,249	13
Total other financial investments	20,248	12	20,249	13
Reinsurers' share of gross premium reserve				
A	86,925	66,105	88,285	67,110
BBB	38,414	35,758	38,414	35,758
Total reinsurers' share of gross premium reserve	125,338	101,862	126,698	102,868
Reinsurers' share of gross claims reserve				
AA	442	632	439	632
A	123,480	109,989	127,722	113,382
BBB	72,570	19,900	76,688	27,292
Not rated	235	265	233	325
Total reinsurers' share of gross claims reserve	196,728	130,786	205,081	141,632

GARD MARINE & ENERGY LIMITED

Notes to the accounts

Note 11 - Financial risk continued

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Receivables				
A	45,058	47,547	12,288	23,185
Not rated	152,628	113,126	224,885	174,593
Total receivables	197,686	160,673	237,173	197,778
Cash and cash equivalents				
AA	6,574	4,396	16,167	13,124
Total cash and cash equivalents	6,574	4,396	16,167	13,124
Other financial assets				
AAA	5,653	0	11,054	0
AA	0	5,635	0	5,635
BB	5,000	5,000	5,000	5,000
Total other financial assets	10,653	10,635	16,054	10,635

Age analysis of receivables after provision for bad debt

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Not due	191,463	143,921	224,451	172,859
0-60 days	6,341	10,685	11,418	16,118
61-90 days	425	2,177	1,036	3,475
Above 90 days	3,834	7,680	5,582	9,257
Provision for bad debt	(4,377)	(3,789)	(5,314)	(3,931)
Total receivables	197,686	160,673	237,173	197,778

Impaired receivables

As at 20 February 2021 there are impaired receivables in the parent company of USD 4.4 million (20 February 2020 USD 3.8 million) and there are impaired receivables in the consolidated accounts of USD 5.3 million (20 February 2020 USD 3.9 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 'Other insurance related expenses'.

Analysis of provision for bad debt

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Balance as at the beginning of the period	3,789	3,644	3,931	3,685
Provision for receivables impairment	588	146	1,383	246
Receivables written off during the year as uncollectable	(344)	(228)	(312)	(221)
Unused amounts reversed	344	228	312	221
Balance as at the end of the period	4,377	3,789	5,314	3,931

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

GARD MARINE & ENERGY LIMITED

Notes to the accounts

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 cash pool agreement between Gard P. & I. (Bermuda) Ltd., Gard Marine & Energy Limited, Gard AS and AS Assuransgården 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 cash pool to meet liquidity needs, gives a presentation of how assets and liabilities have been matched.

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Parent company
					As at 20.02.21 Total
Gross claim reserve	143,279	188,305	4,435	0	336,019
Income tax payable	12,622	0	0	0	12,622
Payables and accruals	154,002	0	0	0	154,002
Other payables	101	0	0	0	101

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Parent company
					As at 20.02.20 Total
Gross claim reserve	105,321	141,259	6,669	0	253,249
Income tax payable	12,241	0	0	0	12,241
Payables and accruals	86,923	0	0	0	86,923
Other payables	69	0	0	0	69

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Consolidated accounts
					As at 20.02.21 Total
Gross claim reserve	159,047	209,029	4,924	0	372,999
Income tax payable	13,219	0	0	0	13,219
Payables and accruals	159,673	0	0	0	159,673
Other payables	793	0	0	0	793

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Consolidated accounts
					As at 20.02.20 Total
Gross claim reserve	121,813	163,379	7,713	0	292,905
Income tax payable	12,243	0	0	0	12,243
Payables and accruals	84,828	0	0	0	84,828
Other payables	385	0	0	0	385

GARD MARINE & ENERGY LIMITED

Notes to the accounts

Note 12 - Receivables from direct insurance operations

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at	As at	As at	As at
	20.02.2021	20.02.20	20.02.2021	20.02.20
Direct and received premium	14,029	6,074	15,566	7,296
Direct and received premium through broker	65,539	62,941	102,773	95,736
Not closed premium	47,514	32,835	66,045	45,183
Claims related debtors, co-insurers	27,004	11,342	42,732	24,085
Provision for bad debts	(1,532)	(1,012)	(2,437)	(1,153)
Receivables from direct insurance operations	152,554	112,180	224,678	171,148

Note 13 - 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 1.8 million as at 20 February 2021 (USD 0.7 million as at 20 February 2020). 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. 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. Each company participating in the cash pool agreement is jointly liable for the overdraft facility through unsecured guarantees.

Note 14 - Statutory reserve

Gard Marine & Energy Limited is registered under and regulated by the Insurance Act 1978 and related 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. Gard Marine and Energy Limited maintained a statutory reserve of USD 190,000,000 and all regulatory requirements are complied with as at 20 February 2021.

The Company is a member of the property and casualty insurance companies guarantee scheme. The purpose of the scheme is to ensure payments to assured and third parties, pursuant to the Norwegian Act on Bank Contingency Scheme and Insurance Companies' Guarantee Scheme of 1996 no. 75. Provision shall be made for payment of 1 per cent of gross premium relevant to the scheme.

Par value is USD 1,000 per share. All shares have the same rights in the Company.

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 2021 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

Notes to the accounts

Note 15 - 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 2021 and 2020 was as follows:

Amounts in USD 000's	Bermuda (a)		Norway (b)	
	As at 20.02.2021	As at 20.02.20	As at 20.02.2021	As at 20.02.20
Required statutory capital and surplus	22,635	95,444	104,413	85,512
Actual capital and surplus	223,890	193,412	125,296	103,738

(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 Enhanced 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 2021 will not be filed with the BMA until June 2021. As a result, the required statutory capital and surplus as at 20 February, 2021 is based on the MSM, whereas the required statutory capital and surplus as at 20 February, 2020 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 2021. As a result, preliminary figures are included as at February 20, 2021.

Note 16 - 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 23,480 as at 20 February 2021 for parent company (20 February 2020 USD 28,849). Total costs regarding rent in the consolidated accounts amount to USD 23,480 as at 20 February 2021 (20 February 2020 USD 28,849).