

**GLOBAL TRADE INSURANCE
LIMITED**

**Financial Statements and
Independent Auditors' Report**

March 31, 2019 and 2018



Arthur Morris & Company Limited
Chartered Professional Accountants

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INDEPENDENT AUDITORS' REPORT

**To the Shareholders and Board of Directors of
Global Trade Insurance Limited**

We have audited the accompanying financial statements of Global Trade Insurance Limited (the "Company"), which comprise the balance sheet as of March 31, 2019, and the related statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

The financial statements for the year ended March 31, 2018 were audited by other auditors whose report dated November 1, 2018 was unqualified.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Trade Insurance Limited as of March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The supplementary information pertaining to the segregated account assets, liabilities and operations is included in Schedule 1. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Arthur Morris & Company Limited

**Hamilton, Bermuda
October 31, 2019**

GLOBAL TRADE INSURANCE LIMITED
BALANCE SHEETS
March 31, 2019 and 2018
(expressed in U.S. dollars)

	2019	2018
ASSETS		
Cash and cash equivalents (Note 3)	10,590	690
Investments (Note 4)	1,063,590	999,914
Redemption receivable (Notes 4)	75,000	75,000
Management fee receivable	133,645	-
Prepaid expenses	-	26,164
Segregated account assets	1,086,088	1,471,073
	2,368,913	2,572,841
LIABILITIES		
Accounts payable and accrued expenses	126,099	220,784
Amounts due to affiliates (Note 7)	217,607	160,422
Segregated account liabilities	1,086,088	1,471,073
	1,429,794	1,852,279
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	120,000	120,000
Contributed surplus (Note 6)	980,000	980,000
Accumulated other comprehensive income	274	274
Accumulated deficit	(161,155)	(379,712)
	939,119	720,562
	2,368,913	2,572,841

Approved by the Board:

.....Director

See accompanying notes to the financial statements

GLOBAL TRADE INSURANCE LIMITED
STATEMENTS OF OPERATIONS
for the years ended March 31, 2019 and 2018
(expressed in U.S. dollars)

	2019	2018
Revenues		
Commissions (Note 2)	-	-
Management fees (Note 2)	298,197	24,052
Investment income (Note 4)	63,676	64,552
	361,873	88,604
Operating expenses	143,316	132,663
NET INCOME (LOSS)	218,557	(44,059)

See accompanying notes to the financial statements

GLOBAL TRADE INSURANCE LIMITED
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
for the years ended March 31, 2019 and 2018
(expressed in U.S. dollars)

	2019	2018
Net income (loss)	218,557	(44,059)
Other comprehensive income:		
Foreign currency translation gains	-	-
Other comprehensive income	-	-
COMPREHENSIVE INCOME (LOSS)	218,557	(44,059)

See accompanying notes to the financial statements

GLOBAL TRADE INSURANCE LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the years ended March 31, 2019 and 2018
(expressed in U.S. dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
March 31, 2017	120,000	980,000	274	(335,653)	764,621
Net loss	-	-	-	(44,059)	(44,059)
March 31, 2018	120,000	980,000	274	(379,712)	720,562
Net income	-	-	-	218,557	218,557
March 31, 2019	120,000	980,000	274	(161,155)	939,119

See accompanying notes to the financial statements

GLOBAL TRADE INSURANCE LIMITED
STATEMENT OF CASH FLOWS
for the year ended March 31, 2019 and 2018
(expressed in U.S. dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	218,557	(44,059)
Adjustments to reconcile net loss to net cash used in operating activities:		
Changes in fair value of investments	(63,676)	(63,719)
Changes in assets and liabilities:		
Management fee receivable	(133,645)	-
Prepaid expenses	26,164	(19,567)
Accounts payable and accrued expenses	(94,685)	127,815
Amounts due to affiliates	57,185	-
	9,900	470
Net cash provided by operating activities	9,900	470
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,900	470
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	690	220
	10,590	690
CASH AND CASH EQUIVALENTS, END OF YEAR	10,590	690

See accompanying notes to the financial statements

GLOBAL TRADE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019 and 2018
(expressed in U.S. dollars)

1. Organization and description of business

Global Trade Insurance Limited (the “Company”) was incorporated in Bermuda on November 20, 2012. The Company is licensed as a Class 3A exempted insurer and registered as a segregated accounts company under the Segregated Accounts Companies Act 2000 of Bermuda (the “SAC Act”). Originally incorporated as Phileas Insurance Company Limited, the Company changed its name to Global Trade Insurance Limited on October 3, 2013, following a restructure in the ownership of the Company. The Company's common share capital is equally owned by The Lloyds Trust (50.001%) and Supply Chain Trade Services (International) Limited (49.999%). As at March 31, 2019, the Company had one active segregated accounts, the Tower Trade Segregated Account (“TTSA”), and one inactive segregated account the Lloyds Trust Segregated Account (“LTSA”).

The LTSA insured the credit risks and political risks of BSi Steel Africa Ltd. The credit risk policy had an aggregate limit up to \$5,000,000 or the funds in the Lloyds Trust Segregated Account, whichever is less. The political risk policy also had an aggregate limit of \$5,000,000 with the first \$2,000,000 reinsured by the Hannover Group. The LTSA policy was not renewed as at October 31, 2015 and the LTSA is now in run-off.

The TTSA insures the credit risks of the Tower Trade Group, up to an aggregate limit of \$15,000,000 limit for specified debtors. Tower Trade Group retains the first \$1,250,000 of the first loss deductible and 2.5% of each loss thereafter. XL Catlin insurance Company SE. (“XL”) reinsures the excess above the retention up to an aggregate limit and excess of the applicable retention of \$15,000,000.

Under the SAC Act, the assets of the LTSA and TTSA segregated accounts are segregated and cannot be used to satisfy the Company’s general liabilities or liabilities of other segregated accounts. See Schedule 1.

2. Accounting policies

Basis of preparation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GLOBAL TRADE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019 and 2018
(expressed in U.S. dollars)

2. Accounting policies (Cont'd)

Segregated account assets and liabilities

The insurance policies written by LTSA and TTSA do not satisfy the conditions for reinsurance accounting as the maximum exposure to loss is either fully funded by premiums and other collateral or restricted to available assets in the segregated account. The assets and liabilities of the segregated accounts are legally separate from those of the Company. The assets and liabilities of the segregated accounts are stated at fair value and are segregated from the general assets and liabilities of the Company. These are recorded as segregated account assets and segregated account liabilities on the balance sheets.

Management fee income

The Company earns fees from the LTSA and TTSA for the provision of the insurance programs. These fees are earned over the period of the underlying insurance programs.

Commission income

The Company earns commission for assisting counterparties with their credit insurance needs, with Tower Trade Group including the counterparty under their own insurance umbrella. This is done via the conduit of the Company with the Company not acting as a broker in these transactions. The Company no longer assists the counterparties with their credit insurance needs and so there is no commission income during the year to March 31, 2019.

Interest income

Interest income is recorded on the accruals basis.

Cash and cash equivalents

Cash and cash equivalents comprises a highly liquid bank account.

Cash and cash equivalents potentially expose the Company to credit risk. In management's opinion, the risk of loss due to credit risk is not significant as cash and cash equivalents are placed with a high credit quality financial institution.

Investments

ASC 820 *Fair Value Measurement* ("ASC 820") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under ASC 820 as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under ASC 820 are described below:

GLOBAL TRADE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019 and 2018
(expressed in U.S. dollars)

2. Accounting policies (Cont'd)

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 - Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the financial statements reflect the Company's best estimates and assumptions, actual results could differ from these estimates.

3. Pledged assets

As of March 31, 2019, there are no restrictions on cash.

4. Investments

The Company's investment in the SCF Phileas General Fund is valued at fair value, which equals 100% interest in the net assets of the SCF Phileas General Fund as of March 31, 2019 and 2018, respectively. The Company considers its investment in SCF Phileas General Fund to be a Level 2 investment. There were no transfers into or out of the levels during the year ended March 31, 2019.

GLOBAL TRADE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2019 and 2018
(expressed in U.S. dollars)

5. Share capital

Authorized, issued and fully paid	2019	2018
120,000 shares of \$1 par value each	120,000	120,000
	120,000	120,000

The Company has issued 120,000 Class A common shares as follows:

	2019	2018
The Lloyd's Trust	60,001	60,001
Supply Chain Trade Services (International) Limited	59,999	59,999

6. Contributed surplus

Contributed surplus represent cash contributions by the Class A common shareholders.

7. Related party transactions and balances

The amounts due to affiliates \$217,607 (2018: 160,422) are due to Tower Trade Segregated Account for expenses paid on behalf of the General Cell. The amounts due have no fixed terms of repayment.

8. Taxation

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda Government that in the event of income or capital gains taxes being imposed, the Company will be exempted from such taxes until the year 2035.

The Company is required to determine whether a tax position of the company is more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. The Company has evaluated its tax position and does not consider itself to be engaged in trade or business in any other jurisdiction other than Bermuda and therefore is not subject to income taxes. If the Company should be considered to be engaged in a trade or business in a jurisdiction outside of Bermuda, it could be subject to income taxes.

Management does not believe there are any tax positions taken by the Company that are subject to uncertainty and as a result, no provisions have been made in these financials statements.

GLOBAL TRADE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019 and 2018
(expressed in U.S. dollars)

9. Fair value of financial instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and amounts due to affiliates approximates fair value due to their short term nature. The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company would actually realize in a current market exchange. However, any differences would not be expected to be material. Certain instruments, such as segregated account assets/liabilities and prepaid expenses, are excluded from fair value disclosure. Thus, the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

10. Statutory requirements

The Company is registered under the Bermuda Insurance Act 1978, amendments thereto and related regulations which require that the Company maintain minimum levels of solvency and liquidity. For the year ended March 31, 2018, these requirements have been met. In calculating the Company's minimum statutory capital and surplus ratio, the Company is consolidated with the two segregated accounts.

	2019	2018
Minimum required statutory capital and surplus	1,000,000	1,000,000
Actual statutory capital and surplus	1,825,817	2,069,385
Minimum required level of liquid assets	\$ 194,588	\$ 421,050
Actual liquid assets	\$ 444,727	\$ 1,072,117

In accordance with these requirements, the Company's general account is consolidated with the two segregated accounts.

11. Subsequent events

In preparing the financial statements, the Company has evaluated and disclosed all material subsequent events and transactions through October 31, 2019, which is the date that these financial statements are available to be issued and determined that there were no material subsequent events that would require recognition or disclosure in the Company's financial statements through that date.

GLOBAL TRADE INSURANCE LIMITED

SCHEDULE 1

March 31, 2019 and 2018

(expressed in U.S. dollars)

Unaudited

Segregated account assets & liabilities

The Company's segregated account assets and liabilities are the total assets and liabilities of the segregated accounts of the Company, and are legally segregated from the Company and from other segregated accounts and are calculated as follows:

	2019	2019	2019
	Lloyds Trust Segregated Account	Tower Trade Segregated Account	Total Segregated Accounts
ASSETS			
Cash and cash equivalents	1	3,767	3,768
Investments	-	302,196	302,196
Redemption receivable	-	199,754	199,754
Insurance balances receivable	-	430,370	430,370
Amounts due from affiliates	-	150,000	150,000
	<u>1</u>	<u>1,086,087</u>	<u>1,086,088</u>
LIABILITIES			
Unearned premiums	-	41,019	41,019
Accounts payable and accrued expenses	2,360	156,843	159,203
	<u>2,360</u>	<u>197,862</u>	<u>200,222</u>
SHAREHOLDERS' EQUITY			
Contributed surplus	100,000	1,000,000	1,100,000
Retained earnings/ (deficit)	5,381,123	(111,775)	5,269,348
Dividends declared and paid	(5,483,482)	-	(5,483,482)
	<u>(2,359)</u>	<u>888,225</u>	<u>885,866</u>
	<u>1</u>	<u>1,086,087</u>	<u>1,086,088</u>

GLOBAL TRADE INSURANCE LIMITED

SCHEDULE 1

March 31, 2019 and 2018

(expressed in U.S. dollars)

Unaudited

Segregated account assets & liabilities (continued)

	2018	2018	2018
	Lloyds Trust Segregated Account	Tower Trade Segregated Account	Total Segregated Accounts
ASSETS			
Cash and cash equivalents	7,148	3,801	10,949
Investments	-	274,757	274,757
Redemption receivable	9,243	199,754	208,997
Insurance balances receivable	-	335,129	335,129
Accounts receivable	-	329,116	329,116
Amounts due from affiliates	162,125	150,000	312,125
	<u>178,516</u>	<u>1,292,557</u>	<u>1,471,073</u>
LIABILITIES			
Unearned premiums	-	114,152	114,152
Accounts payable and accrued expenses	24,725	11,648	36,373
	<u>24,725</u>	<u>125,800</u>	<u>150,525</u>
SHAREHOLDERS' EQUITY			
Contributed surplus	100,000	1,000,000	1,100,000
Retained earnings	5,537,273	166,757	5,704,030
Dividends declared and paid	(5,483,482)	-	(5,483,482)
	<u>153,791</u>	<u>1,166,757</u>	<u>1,320,548</u>
	<u>178,516</u>	<u>1,292,557</u>	<u>1,471,073</u>

GLOBAL TRADE INSURANCE LIMITED

SCHEDULE 1

March 31, 2019 and 2018

(expressed in U.S. dollars)

Unaudited

Segregated account operations

The operations of the various segregated accounts for the years ended March 31, 2019 and 2018 were as follows:

	2019	2019	2019
	Lloyds Trust	Tower Trade	Total
	Segregated	Segregated	Segregated
	Account	Account	Accounts
Net earned premium after commissions	-	113,276	113,276
Loss and loss adjustment expenses	-	(329,116)	(329,116)
Operating expenses	(154,512)	(145,229)	(299,741)
Investment (losses) gains	(1,639)	27,438	25,799
	<hr/>	<hr/>	<hr/>
NET INCOME (LOSS)	(156,151)	(333,631)	(489,782)
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	2018	2018	2018
	Lloyds Trust	Tower Trade	Total
	Segregated	Segregated	Segregated
	Account	Account	Accounts
Net earned premium after commissions	-	13,232	13,232
Loss and loss adjustment expenses	-	-	-
Operating expenses	(10,254)	(15,008)	(25,262)
Investment (losses) gains	(64,604)	27,481	(37,123)
	<hr/>	<hr/>	<hr/>
NET INCOME (LOSS)	(74,858)	25,705	(49,153)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>