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# FINANCIAL STATEMENTS 2020

## GARD MARINE & ENERGY LIMITED

*for the year to 20 February 2020*





To the Shareholder of Gard Marine & Energy Limited

## *Independent Auditor's Report*

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

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#### *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, 2020, 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, 2020, 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, 2020, and of its financial performance and its cash flows for the year then ended in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance.
- The accompanying consolidated financial statements of the Group give a true and fair view of the financial position of the Group as at February 20, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance.

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

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## *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.

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

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



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

- Identify and assess the risks of material misstatement of the financial statements of the Company and the consolidated financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Company and the consolidated financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or 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, 2020 and for the year then ended*

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

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*Prunatahorne Coopers Ltd.*

**Chartered Professional Accountants  
Hamilton, Bermuda  
May 11, 2020**

# GARD MARINE & ENERGY LIMITED

## Statement of comprehensive income

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
<b>Technical account</b>					
Gross written premium	4, 5	318,882	239,541	354,412	278,707
Gross earned premium	5	276,444	216,418	313,232	253,786
Ceded reinsurance	5	(169,804)	(125,684)	(181,419)	(142,146)
<b>Earned premium for own account</b>	5	<b>106,640</b>	<b>90,733</b>	<b>131,813</b>	<b>111,640</b>
<b>Other insurance related income</b>		<b>221</b>	<b>164</b>	<b>268</b>	<b>231</b>
Gross incurred claims	5	155,749	157,997	191,075	207,241
Reinsurers' share of gross incurred claims	5	(80,276)	(74,219)	(81,262)	(101,122)
<b>Claims incurred for own account</b>	5	<b>75,473</b>	<b>83,777</b>	<b>109,813</b>	<b>106,119</b>
Acquisition costs	6	11,725	13,368	17,687	19,416
Agents' commission	6	35,597	30,555	31,416	27,192
Commission received	6	(34,483)	(27,264)	(35,751)	(28,875)
<b>Insurance related expenses for own account</b>	6	<b>12,838</b>	<b>16,659</b>	<b>13,351</b>	<b>17,733</b>
<b>Other insurance related expenses</b>	6	<b>1,102</b>	<b>1,314</b>	<b>1,795</b>	<b>1,864</b>
<b>Technical result</b>		<b>17,448</b>	<b>(10,853)</b>	<b>7,121</b>	<b>(13,844)</b>
<b>Non-technical account</b>					
Interest and similar income/(expenses)	7	1,974	496	1,509	(603)
Change in unrealised gain/(loss) on investments		10,162	(38,161)	10,655	(36,853)
Gain on realisation of investments		2,944	36,918	3,173	35,897
Other investment expenses		(97)	(121)	(116)	(118)
<b>Non-technical result</b>		<b>14,983</b>	<b>(868)</b>	<b>15,223</b>	<b>(1,676)</b>
<b>Profit/(loss) before tax</b>		<b>32,431</b>	<b>(11,721)</b>	<b>22,344</b>	<b>(15,520)</b>
Taxation	8	8,565	2,939	6,644	3,065
<b>Net result</b>		<b>23,866</b>	<b>(14,660)</b>	<b>15,699</b>	<b>(18,586)</b>
<b>Other comprehensive income/(loss)</b>					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on subsidiaries		0	0	(29)	(14)
<b>Total comprehensive income/(loss)</b>		<b>23,866</b>	<b>(14,660)</b>	<b>15,671</b>	<b>(18,599)</b>

# GARD MARINE & ENERGY LIMITED

## Balance sheet

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
<b>Assets</b>					
<b>Investments</b>					
<i>Financial investments in subsidiaries</i>					
Investments in subsidiaries	9	56,471	46,737	0	0
<i>Financial investments at fair value through profit or loss</i>					
Equities and investment funds	10	48,667	43,462	51,142	45,747
Interest-bearing securities and funds	10, 11	191,011	205,655	235,234	243,454
Other financial investments	10, 11	12	8	13	12
<b>Total investments</b>		<b>296,161</b>	<b>295,862</b>	<b>286,389</b>	<b>289,213</b>
<b>Reinsurers' share of technical provisions</b>					
Reinsurers' share of gross premium reserve	5, 11	101,862	67,615	102,868	71,536
Reinsurers' share of gross claims reserve	5, 11	130,786	152,153	141,632	174,163
<b>Total reinsurers' share of technical provisions</b>	5	<b>232,649</b>	<b>219,768</b>	<b>244,500</b>	<b>245,698</b>
<b>Receivables</b>					
<i>Receivables from direct insurance operations</i>					
Policyholders	12	6,080	2,006	7,281	3,141
Intermediaries	12	106,100	98,298	163,867	150,389
<i>Receivables from reinsurance operations</i>					
Receivables from reinsurance operations		946	613	3,435	2,528
Receivables from group companies		34,183	24,685	9,774	3,115
<i>Other receivables</i>					
Other receivables		0	65	10	75
Other receivables from group companies		13,363	13,526	13,411	13,582
<b>Total receivables</b>	11	<b>160,673</b>	<b>139,194</b>	<b>197,778</b>	<b>172,830</b>
<b>Other assets</b>					
Equipment		0	0	0	2
Cash and cash equivalents	11, 13	4,396	1,141	13,124	11,947
Deferred tax asset	8	1,008	905	3,231	0
Other financial assets	11	10,635	10,521	10,635	10,521
<b>Total other assets</b>		<b>16,040</b>	<b>12,566</b>	<b>26,991</b>	<b>22,470</b>
<b>Prepayments and accrued income</b>					
Accrued income and other prepayments		20,824	18,124	18,269	15,954
<b>Total prepayments and accrued income</b>		<b>20,824</b>	<b>18,124</b>	<b>18,269</b>	<b>15,954</b>
<b>Total assets</b>		<b>726,346</b>	<b>685,514</b>	<b>773,925</b>	<b>746,165</b>

# GARD MARINE & ENERGY LIMITED

## Balance sheet

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
<b>Equity and liabilities</b>					
<b>Equity</b>					
<i>Paid-in equity</i>					
Statutory reserve	14	190,000	190,000	190,000	190,000
<i>Retained earnings</i>					
Guarantee scheme	14	64	0	64	0
Other equity		17,215	(1,587)	11,605	999
<b>Total equity</b>	15	<b>207,279</b>	<b>188,413</b>	<b>201,669</b>	<b>190,999</b>
<b>Technical provisions</b>					
Gross premium reserve	5	166,586	124,147	181,895	140,715
Gross claims reserve	5, 11	253,249	283,346	292,905	325,062
<b>Total technical provisions</b>		<b>419,834</b>	<b>407,494</b>	<b>474,801</b>	<b>465,777</b>
<b>Provisions for other liabilities</b>					
Income tax payable	8, 11	12,241	4,414	12,243	4,447
Deferred tax	8	0	0	0	222
<b>Total provisions for other liabilities</b>		<b>12,241</b>	<b>4,414</b>	<b>12,243</b>	<b>4,669</b>
<b>Payables</b>					
Payables arising out of direct insurance operations		4,471	3,801	7,742	7,402
Payables arising out of reinsurance operations		7,774	17,399	9,286	17,927
Payables arising out of reinsurance operations - group companies		55,921	47,370	48,342	41,578
Payables group companies		74	777	283	1,050
Other payables	11	69	47	385	183
<b>Total payables</b>		<b>68,309</b>	<b>69,393</b>	<b>66,038</b>	<b>68,141</b>
<b>Accruals and deferred income</b>					
Accruals and deferred income		18,684	15,800	19,175	16,580
<b>Total accruals and deferred income</b>		<b>18,684</b>	<b>15,800</b>	<b>19,175</b>	<b>16,580</b>
<b>Total liabilities</b>		<b>519,067</b>	<b>497,101</b>	<b>572,256</b>	<b>555,167</b>
<b>Total equity and liabilities</b>		<b>726,346</b>	<b>685,514</b>	<b>773,925</b>	<b>746,165</b>



# 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
<b>Equity as at 21.02.18</b>	<b>190,000</b>	<b>0</b>	<b>58,073</b>	<b>248,073</b>	<b>190,000</b>	<b>0</b>	<b>64,598</b>	<b>254,598</b>
Net result	0	0	(14,660)	(14,660)	0	0	(18,586)	(18,586)
Dividend	0	0	(45,000)	(45,000)	0	0	(45,000)	(45,000)
Exchange differences on subsidiaries	0	0	0	0	0	0	(14)	(14)
<b>Equity as at 20.02.19</b>	<b>190,000</b>	<b>0</b>	<b>(1,587)</b>	<b>188,413</b>	<b>190,000</b>	<b>0</b>	<b>999</b>	<b>190,999</b>
<b>Equity as at 21.02.19</b>	<b>190,000</b>	<b>0</b>	<b>(1,587)</b>	<b>188,413</b>	<b>190,000</b>	<b>0</b>	<b>999</b>	<b>190,999</b>
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)
<b>Equity as at 20.02.20</b>	<b>190,000</b>	<b>64</b>	<b>17,215</b>	<b>207,279</b>	<b>190,000</b>	<b>64</b>	<b>11,605</b>	<b>201,669</b>

# GARD MARINE & ENERGY LIMITED

## Statement of cash flow

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
<b>Cash flow from operating activities</b>					
Profit/(loss) before tax		32,431	(11,721)	22,344	(15,520)
Tax paid	8	(561)	(846)	(1,933)	(1,000)
Change in unrealised (gain)/loss on investments		(10,162)	38,161	(10,655)	36,853
Financial investments		19,597	27,321	13,480	34,094
Change in receivables and payables		(22,679)	(17,393)	(27,166)	(29,514)
Change in technical provisions and other accruals		(356)	6,457	10,503	15,233
Change in valuation due to change in exchange rates		(281)	(81)	(395)	(213)
<b>Net cash flow from operating activities</b>		<b>17,990</b>	<b>41,898</b>	<b>6,177</b>	<b>39,932</b>
<b>Cash flow from investment activities</b>					
Capital contribution paid to subsidiary	3	(9,734)	0	0	0
<b>Net cash flow from investment activities</b>		<b>(9,734)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flow from financial activities</b>					
Dividend paid to group company	3	(5,000)	(45,000)	(5,000)	(45,000)
<b>Net cash flow from financial activities</b>		<b>(5,000)</b>	<b>(45,000)</b>	<b>(5,000)</b>	<b>(45,000)</b>
Net change in cash and cash equivalents		3,256	(3,102)	1,177	(5,068)
Cash and cash equivalents at beginning of year		1,141	4,243	11,947	17,015
Bank overdraft at beginning of year		0	0	0	0
<b>Cash and cash equivalents at end of year</b>	11	<b>4,397</b>	<b>1,141</b>	<b>13,124</b>	<b>11,947</b>

# 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 2019 to 20 February 2020.

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

#### 2.2 Basis for consolidation

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

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

The acquisition method is applied when accounting for business combinations.

#### 2.3 Use of accounting estimates when preparing the accounts

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

#### 2.4 Foreign currency

##### Functional currency and presentation currency

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

##### Transactions in foreign currency

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

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

#### 2.5 Provisions, contingent liabilities and assets

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

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

#### 2.6 Events after the reporting period

New and material information on the group's financial position at the end of the reporting period, which becomes known after the end of the reporting period, is recorded in the financial statements. Events after the reporting period that do not affect the group's financial position at the end of the reporting period, but might significantly affect the financial position in the future, are disclosed in note 17.

#### 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	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Reinsurance	58,737	48,783
Reinsurers' share of gross settled claims	53,621	39,953
Reinsurance commission	15,661	13,256

#### 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	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Reinsurance	106,640	90,733
Reinsurers' share of gross settled claims	73,246	65,711
Reinsurance commission	25,734	23,209

Amounts in USD 000's	Ceded to Gard Re	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Reinsurers' share of gross claims reserve	108,382	112,078

#### 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 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	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Lingard Limited	22,351	25,174
Gard (Singapore) Pte. Ltd	1,529	848
Gard (HK) Limited	674	0

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 3 - Intra-group transactions continued

#### Insurance/reinsurance agency agreement

Lingard in its capacity as insurance manager of the Company has entered into insurance agency agreements with Gard AS and its subsidiaries. Gard AS is the general agent of the Norwegian branch of the Company, whereby Gard AS is delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the two Bermuda-based risk carriers. The Company has entered into an reinsurance agency agreement with Gard Brasil, whereby Gard Brasil acts as local representative in Brasil.

Amounts in USD 000's	Insurance services invoiced	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Gard Brasil	491	500

#### Dividends and capital contributions

Amounts in USD 000's	Dividends paid	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Gard P. & I. (Bermuda) Ltd.	5,000	45,000

Amounts in USD 000's	Capital contribution paid	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Gard M&E Europe	9,734	0

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

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
EEA	135,323	89,203	220,784	168,988
Norway	106,819	89,171	44,142	37,745
Other areas	76,740	61,167	89,485	71,973
<b>Total gross written premium</b>	<b>318,882</b>	<b>239,541</b>	<b>354,412</b>	<b>278,707</b>

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

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 5 - Technical result and technical provisions

#### Accounting policy

##### Premiums

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

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

##### Reinsurance premiums

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

##### Claims expenses

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

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

Amounts in USD 000's	Parent company			Consolidated accounts		
	Marine	Energy	Total	Marine	Energy	Total
			21.02.19 to 20.02.20			21.02.19 to 20.02.20
<b>Technical result</b>						
Gross written premium	266,167	52,715	318,882	297,104	57,308	354,412
Gross earned premium	226,793	49,651	276,444	259,724	53,507	313,232
Ceded reinsurance	(142,816)	(26,989)	(169,804)	(153,541)	(27,878)	(181,419)
<b>Earned premium for own account</b>	<b>83,977</b>	<b>22,663</b>	<b>106,640</b>	<b>106,184</b>	<b>25,629</b>	<b>131,813</b>
<b>Claims incurred, gross</b>						
Incurred this year	162,366	14,883	177,249	191,792	17,681	209,473
Incurred previous years	(12,396)	(9,104)	(21,500)	(10,798)	(7,600)	(18,398)
<b>Total claims incurred, gross</b>	<b>149,970</b>	<b>5,779</b>	<b>155,749</b>	<b>180,994</b>	<b>10,081</b>	<b>191,075</b>
Reinsurers' share of gross incurred claims	(81,731)	1,455	(80,276)	(82,717)	1,455	(81,262)
<b>Claims incurred for own account</b>	<b>68,239</b>	<b>7,233</b>	<b>75,473</b>	<b>98,277</b>	<b>11,536</b>	<b>109,813</b>

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

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

#### Accounting policy

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

#### Gross premium reserve

The gross premium reserve is amortised over the risk period and is calculated and accounted for in the balance sheet as a provision for the part of premium written that exceeds the end of the financial year. Changes in the provision are charged to the income statement.

#### Gross claims reserve

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

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

In accordance with the Norwegian regulations for insurance companies provisions for internal claims handling expenses (unallocated loss adjustment expenses, or ULAE) and binary events are included in the 'Gross claims reserve'.

#### Insurance contract liabilities

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

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

Amounts in USD 000's	Parent company			Consolidated accounts		
	Marine	Energy	Total	Marine	Energy	Total
			21.02.19 to 20.02.20			21.02.19 to 20.02.20
<b>Technical provisions gross</b>						
Provisions, at the beginning of the year	194,214	89,132	283,346	234,093	90,969	325,062
Claims paid	(147,865)	(37,981)	(185,846)	(182,622)	(40,609)	(223,232)
Claims incurred - gross this year	162,366	14,883	177,249	191,792	17,681	209,473
Claims incurred - gross previous years	(12,396)	(9,104)	(21,500)	(10,798)	(7,600)	(18,398)
<b>Provisions, at the end of the year</b>	<b>196,319</b>	<b>56,930</b>	<b>253,249</b>	<b>232,465</b>	<b>60,440</b>	<b>292,905</b>
Reinsurers' share of claims provision	(105,613)	(25,173)	(130,786)	(116,459)	(25,173)	(141,632)
<b>Provisions net, at the end of the year</b>	<b>90,705</b>	<b>31,757</b>	<b>122,462</b>	<b>116,006</b>	<b>35,267</b>	<b>151,273</b>
Provision for unearned premiums, gross	137,486	29,099	166,586	150,352	31,543	181,895
Reinsurers' share of premiums provision	(87,030)	(14,832)	(101,862)	(87,981)	(14,887)	(102,868)
<b>Provision for unearned premiums, net</b>	<b>50,456</b>	<b>14,267</b>	<b>64,723</b>	<b>62,371</b>	<b>16,657</b>	<b>79,028</b>
<b>Provision for outstanding claims</b>						
Technical provision gross	196,319	56,930	253,249	232,465	60,440	292,905
Technical provision net	90,705	31,757	122,462	116,006	35,267	151,273

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 250.7 million and USD 255.8 million for parent company and between USD 289.5 million and USD 296.3 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	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Amounts in USD 000's				
<b>Acquisition costs and commissions</b>				
Insurance intermediary	11,725	13,368	17,687	19,416
Agents' commission	35,597	30,555	31,416	27,192
Commission received	(34,483)	(27,264)	(35,751)	(28,875)
<b>Insurance related expenses for own account</b>	<b>12,838</b>	<b>16,659</b>	<b>13,351</b>	<b>17,733</b>

	Parent company		Consolidated accounts	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Amounts in USD 000's				
<b>Remuneration auditor</b>				
Auditing fee	341	337	366	369
Tax advising	7	20	16	20
Non audit services	0	0	0	6
<b>Total auditors' fee</b>	<b>348</b>	<b>357</b>	<b>382</b>	<b>394</b>

	Parent company		Consolidated accounts	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Amounts in USD 000's				
<b>Net operating expenses</b>				
Bad debt	376	164	470	84
Service cost	25,045	26,522	36,462	38,168
Allocated to claims handling and acquisition costs	(25,140)	(26,323)	(37,498)	(38,840)
Other operating expenses	821	951	2,362	2,452
<b>Other insurance related expenses</b>	<b>1,102</b>	<b>1,314</b>	<b>1,795</b>	<b>1,864</b>

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	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Amounts in USD 000's				
<b>Interest and similar income/(expenses)</b>				
Income from financial investments held for trading (portfolio investments)	2,426	1,503	2,793	1,764
Foreign exchange gain/(loss)	(452)	(1,007)	(1,284)	(2,367)
<b>Total interest and similar income/(expenses)</b>	<b>1,974</b>	<b>496</b>	<b>1,509</b>	<b>(603)</b>



# 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	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Amounts in USD 000's				
<b>Basis for income tax expense, changes in deferred tax and tax payable</b>				
Total comprehensive income/(loss) as basis for tax calculation	32,624	11,766	22,536	7,967
<b>Basis for calculating tax</b>	<b>32,624</b>	<b>11,766</b>	<b>22,536</b>	<b>7,967</b>
Permanent differences	1,674	43	8,661	3,489
<b>Basis for the tax expense for the year</b>	<b>34,298</b>	<b>11,809</b>	<b>31,197</b>	<b>11,456</b>
Change in temporary differences	4,033	3,620	4,133	4,082
<b>Basis for payable taxes in the income statement</b>	<b>38,331</b>	<b>15,429</b>	<b>35,330</b>	<b>15,538</b>
Change in tax losses carried forward	0	0	(3,092)	0
<b>Taxable income (basis for payable taxes in the balance sheet)</b>	<b>38,331</b>	<b>15,429</b>	<b>38,423</b>	<b>15,538</b>
<b>Income tax expenses</b>				
Tax payable	8,678	3,857	8,717	3,903
Tax correction earlier year	(9)	(13)	1,294	(13)
Change in deferred tax	(103)	(905)	(2,508)	(848)
Correction in deferred tax earlier year	0	0	(859)	0
Accrual tax in foreign branches	0	0	0	24
<b>Tax expenses ordinary result</b>	<b>8,565</b>	<b>2,939</b>	<b>6,644</b>	<b>3,065</b>
<b>Income tax payable</b>				
Tax at beginning of the year	4,414	1,498	4,447	1,634
Tax payable related to the year	8,678	3,857	9,989	3,927
Tax paid during the year	(561)	(846)	(1,933)	(1,000)
Tax correction earlier year	1	(13)	1	(13)
Exchange adjustments	(291)	(81)	(261)	(101)
<b>Tax payable at end of the year</b>	<b>12,241</b>	<b>4,414</b>	<b>12,243</b>	<b>4,447</b>
<b>Deferred tax/tax asset</b>				
<b>Specification of tax effect resulting from temporary differences</b>				
Portfolio investments	0	0	(850)	(356)
Tax loss carried forward	0	0	13,218	205
Other temporary differences	4,033	3,620	4,166	3,661
Retained earnings	0	0	(3,610)	(4,397)
<b>Total temporary differences</b>	<b>4,033</b>	<b>3,620</b>	<b>12,924</b>	<b>(887)</b>
Deferred tax/tax asset, 25 per cent of total temporary differences	1,008	905	3,231	(222)
<b>Net deferred tax/tax asset of total temporary differences</b>	<b>1,008</b>	<b>905</b>	<b>3,231</b>	<b>(222)</b>

# 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	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
<b>Reconciliation of the tax expense</b>				
Basis for calculating tax	32,624	11,766	22,536	7,967
<b>Calculated tax 25%</b>	<b>8,156</b>	<b>2,942</b>	<b>5,634</b>	<b>1,992</b>
Tax expense	8,565	2,939	6,644	3,065
<b>Difference</b>	<b>(409)</b>	<b>3</b>	<b>(1,010)</b>	<b>(1,073)</b>
<b>The difference consist of:</b>				
Tax correction earlier year	1	23	930	(12)
Permanent differences not subject to tax	(418)	(11)	(2,165)	(872)
Currency effect posted to Non-technical result	0	0	252	(103)
Tax in foregin branches	10	(10)	8	(34)
Other differences	0	0	(36)	(53)
<b>Sum explained differences</b>	<b>(409)</b>	<b>3</b>	<b>(1,010)</b>	<b>(1,073)</b>

### 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 20.02.20
Gard M&E Europe	100%	100%	Norway	NOK	434,011	56,166
Gard Brasil	99%	99%	Brasil	BRL	614	305
<b>Total</b>						<b>56,471</b>

# 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 of an investment are observable, the investment is included in Level 2.

Investments listed in the following have been classified on Level 2 in the pricing hierarchy:

- Equity funds and interest-bearing securities and funds where fair values are determined by using quoted market prices of the assets where the funds are invested.
- Equity funds and bond funds where fair values are determined by using quoted market prices of the assets where the funds are invested.
- Equity futures, interest futures, currency futures, currency forwards and interest rate swaps where fair values are determined on the basis of the price development on an underlying asset or instrument. All 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 20.02.20				As at 20.02.19			
	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	
<b>Financial investments</b>								
Equities and investment funds	0	48,667	0	48,667	0	43,462	0	43,462
Interest-bearing securities and funds	49,648	141,363	0	191,011	45,546	160,109	0	205,655
Cash incl. in other financial investments	12	0	0	12	3	0	0	3
Other financial investments	0	0	0	0	5	0	0	5
<b>Total financial investments</b>	<b>49,661</b>	<b>190,030</b>	<b>0</b>	<b>239,690</b>	<b>45,554</b>	<b>203,571</b>	<b>0</b>	<b>249,125</b>

Amounts in USD 000's	Consolidated accounts				Consolidated accounts			
	As at 20.02.20				As at 20.02.19			
	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	
<b>Financial investments</b>								
Equities and investment funds	0	51,142	0	51,142	0	45,747	0	45,747
Interest-bearing securities and funds	63,668	171,566	0	235,234	63,687	179,768	0	243,454
Cash incl. in other financial investments	13	0	0	13	4	0	0	4
Other financial investments	0	0	0	0	8	0	0	8
<b>Total financial investments</b>	<b>63,681</b>	<b>222,707</b>	<b>0</b>	<b>286,389</b>	<b>63,698</b>	<b>225,515</b>	<b>0</b>	<b>289,213</b>

# 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 in the prior year.

#### 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 20.02.20
<b>Equity funds</b>			
Gard Global Multifactor Equity Fund	Global Equity	USD	15,383
Gard Global Impact Equity Fund	Global Equity	USD	8,365
Gard Global Equity Fund II	Global Equity	USD	18,654
Gard Emerging Markets Equity Fund	Emerging Market Equity	USD	6,264
<b>Total Equity funds</b>			<b>48,667</b>
<b>Total Equities and investment funds</b>			<b>48,667</b>
The part of Equity fund invested in quoted shares			48,667

Amounts in USD 000's	Investment profile	Currency	Parent company
			As at 20.02.20
<b>Interest-bearing securities</b>			
United States Treasuries	US Treasury bonds	USD	37,677
<b>Total Interest-bearing securities</b>			<b>37,677</b>
<b>Interest-bearing funds</b>			
Gard Global Treasury Fund	Government debt	USD	14,490
Gard Strategic Global Bond Fund	Global aggregate bonds	USD	25,796
Gard Global Credit Bond Fund I	Global corporate bonds	USD	16,389
Northern Trust Cash Fund	Money market US Dollar	USD	11,971
Gard Emerging Market Debt Fund	Emerging market debt	USD	11,637
Gard Global Bond Fund I	Global aggregate bonds	USD	46,852
CQS Credit Fund	Global multi asset credit	USD	26,199
<b>Total Interest-bearing funds</b>			<b>153,334</b>
<b>Total Interest-bearing securities and funds</b>			<b>191,011</b>

# 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 17.5 per cent of it's total investments.

Amounts in USD 000's	Investment profile	Consolidated accounts	
		Currency	As at 20.02.20
<b>Equity funds</b>			
Gard Global Multifactor Equity Fund	Global Equity	USD	15,383
Gard Global Impact Equity Fund	Global Equity	USD	10,840
Gard Global Equity Fund II	Global Equity	USD	18,654
Gard Emerging Markets Equity Fund	Emerging Market Equity	USD	6,264
<b>Total Equity funds</b>			<b>51,142</b>
<b>Total Equities and investment funds</b>			<b>51,142</b>
The part of Equity fund invested in quoted shares			51,142

Amounts in USD 000's	Investment profile	Consolidated accounts	
		Currency	As at 20.02.20
<b>Interest-bearing securities</b>			
United States Treasuries	US Treasury bonds	USD	37,677
<b>Total Interest-bearing securities</b>			<b>37,677</b>
<b>Interest-bearing funds</b>			
Gard Global Treasury Fund	Government debt	USD	22,846
Gard Strategic Global Bond Fund	Global aggregate bonds	USD	40,653
Gard Global Credit Bond Fund I	Global corporate bonds	USD	23,379
Northern Trust Cash Fund	Money market US Dollar	USD	25,991
Gard Emerging Market Debt Fund	Emerging market debt	USD	11,637
Gard Global Bond Fund I	Global aggregate bonds	USD	46,852
CQS Credit Fund	Global multi asset credit	USD	26,199
<b>Total Interest-bearing funds</b>			<b>197,557</b>
<b>Total interest-bearing securities and funds</b>			<b>235,234</b>

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 11 - Financial risk

#### Risk management framework

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

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

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

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

#### Main financial risks

##### Market risk

Market risk arises from the investment activities and the sensitivity of liabilities to changes in market price. The sensitivity analysis of investments assets aims to illustrate the risk of economic losses resulting from deviations in the value of assets caused by changes in observable market prices differing from expected values. The three main market risks selected for testing of sensitivity due 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 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
<b>Assets</b>				
USD	641,053	619,608	672,841	668,324
EUR	7,077	6,331	30,037	27,323
GBP	3,099	2,900	3,288	3,049
Other	75,117	56,675	67,759	47,469
<b>Total assets</b>	<b>726,346</b>	<b>685,514</b>	<b>773,925</b>	<b>746,165</b>
<b>Equity and liabilities</b>				
USD	668,846	642,669	635,572	632,875
EUR	15,495	13,501	61,727	49,063
GBP	2,591	2,259	3,096	2,302
Other	39,414	27,085	73,531	61,925
<b>Total equity and liability</b>	<b>726,346</b>	<b>685,514</b>	<b>773,925</b>	<b>746,165</b>
<b>Net asset exposure</b>				
USD	(27,793)	(23,061)	37,269	35,449
EUR	(8,418)	(7,170)	(31,690)	(21,740)
GBP	508	641	192	747
Other	35,703	29,590	(5,772)	(14,456)

#### 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 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Impact on fixed income portfolio investments given an increase of 50 basis points	(2,692)	(2,370)	(3,339)	(5,170)
Impact on equity portfolio given a 10 per cent drop in quoted market prices	(4,870)	(4,272)	(5,117)	(4,500)
Impact on total investment portfolio given a change of 10 per cent in foreign exchange rates against USD	(6,334)	(5,486)	(7,112)	(5,943)

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 2020. Assets are classified according to the median rating amongst the three market leading providers, Standard & Poor's, Moody's and Fitch. Top rated assets are denoted with AAA rating and US long-term sovereign credit rating is equivalent to a AAA rating due to an applied median approach.

#### Credit risk exposure in balance sheet

	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Amounts in USD 000's				
<b>Interest-bearing securities and funds</b>				
AAA	11,971	0	25,991	0
AA	37,677	45,546	37,677	63,687
Not rated	141,363	160,109	171,566	179,767
<b>Total interest-bearing securities and funds</b>	<b>191,011</b>	<b>205,655</b>	<b>235,234</b>	<b>243,454</b>
<b>Other financial investments</b>				
A	12	3	13	4
Not rated	0	5	0	8
<b>Total other financial investments</b>	<b>12</b>	<b>8</b>	<b>13</b>	<b>12</b>
<b>Reinsurers' share of gross premium reserve</b>				
A	66,105	67,615	67,110	71,536
BBB	35,758	0	35,758	0
<b>Total reinsurers' share of gross premium reserve</b>	<b>101,862</b>	<b>67,615</b>	<b>102,868</b>	<b>71,536</b>
<b>Reinsurers' share of gross claims reserve</b>				
AA	632	13,364	632	13,364
A	109,989	134,987	113,382	147,016
B	0	3,372	0	3,372
BBB	19,900	0	27,292	9,952
Not rated	265	430	325	458
<b>Total reinsurers' share of gross claims reserve</b>	<b>130,786</b>	<b>152,153</b>	<b>141,632</b>	<b>174,163</b>

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 11 - Financial risk continued

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
<b>Receivables</b>				
A	47,547	24,685	23,185	3,115
Not rated	113,126	114,509	174,593	169,715
<b>Total receivables</b>	<b>160,673</b>	<b>139,194</b>	<b>197,778</b>	<b>172,830</b>
<b>Cash and cash equivalents</b>				
AA	4,396	1,141	13,124	11,947
<b>Total cash and cash equivalents</b>	<b>4,396</b>	<b>1,141</b>	<b>13,124</b>	<b>11,947</b>
<b>Other financial assets</b>				
AA	5,635	10,521	5,635	10,521
BB	5,000	0	5,000	0
<b>Total other financial assets</b>	<b>10,635</b>	<b>10,521</b>	<b>10,635</b>	<b>10,521</b>

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

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Not due	143,921	128,110	172,859	155,973
0-60 days	10,685	6,556	16,118	9,998
61-90 days	2,177	1,247	3,475	1,642
Above 90 days	7,680	6,924	9,257	8,901
Provision for bad debt	(3,789)	(3,644)	(3,931)	(3,685)
<b>Total</b>	<b>160,673</b>	<b>139,194</b>	<b>197,778</b>	<b>172,830</b>

### Impaired receivables

As at 20 February 2020 there are impaired receivables in the parent company of USD 3.8 million (20 February 2019 USD 3.9 million) and there are impaired receivables in the consolidated accounts of USD 3.9 million (20 February 2019 USD 4.0 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 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Balance as at the beginning of the period	3,644	3,765	3,685	3,860
Provision for receivables impairment	146	(122)	246	(176)
Receivables written off during the year as uncollectable	(228)	(287)	(221)	(261)
Unused amounts reversed	228	287	221	261
<b>Balance as at the end of the period</b>	<b>3,789</b>	<b>3,644</b>	<b>3,931</b>	<b>3,685</b>

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

# 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 credit facility with Nordea Bank Abp filial i Norge and a cash pool agreement between Gard P. & I. (Bermuda) Ltd., Gard Marine & Energy Limited, Gard AS and AS Assuransesgården improves access to liquidity across the legal entities.

#### Maturity profile

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

The Company maintains highly marketable financial investments and diverse assets that can be liquidated in the event of an unforeseen interruption of cash flow. This, combined with the credit facility and cash pool to meet liquidity needs, gives a presentation of how assets and liabilities have been matched.

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	Parent company
					As at 20.02.19 Total
Gross claim reserve	115,271	160,980	7,095	0	283,346
Income tax payable	4,414	0	0	0	4,414
Payables and accruals	85,146	0	0	0	85,146
Other payables	47	0	0	0	47

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

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

# GARD MARINE & ENERGY LIMITED

## Notes to the accounts

### Note 12 - Receivables from direct insurance operations

	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Amounts in USD 000's				
Direct and received premium	6,074	1,899	7,296	3,132
Direct and received premium through broker	62,941	61,755	95,736	87,186
Not closed premium	32,835	23,286	45,183	36,733
Claims related debtors, co-insurers	11,342	14,161	24,085	27,316
Provision for bad debts	(1,012)	(796)	(1,153)	(837)
<b>Receivables from direct insurance operations</b>	<b>112,180</b>	<b>100,305</b>	<b>171,148</b>	<b>153,531</b>

### 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 0.7 million as at 20 February 2020 (USD 0.7 million as at 20 February 2019). 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.

The Company has no bank overdraft facility as at 20 February 2020. As at 20 February 2019, the Company had an overdraft facility of USD 40 million.

### Note 14 - Statutory reserve

Amounts in USD 000's	Shares	Per cent
<b>Owners equity</b>		
Gard P. & I. (Bermuda) Ltd.	190,000	100%

Par Value is USD 1,000 per share. All shares have the same rights in the Company. All shares are owned by Gard P. & I. (Bermuda) Ltd. The Company is consolidated into the accounts of Gard P. & I. (Bermuda) Ltd. as at 20 February 2020 and the consolidated accounts are available at the office of Gard P. & I. (Bermuda) Ltd's management company Lingard Ltd. in Bermuda.

Gard Marine & Energy Limited is registered under and regulated by the Insurance Act 1978 and the regulations. The Company is under the supervision of the Bermuda Monetary Authority (BMA) and has to be in compliance with a set of regulatory requirements. All regulatory requirements are complied with as at 20 February 2020.

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.

# 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 2020 and 2019 was as follows:

Amounts in USD 000's	Bermuda (a)		Norway (b)	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Required statutory capital and surplus	18,369	90,610	85,741	64,176
Actual capital and surplus	207,279	191,032	102,889	85,165

(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 2020 will not be filed with the BMA until June 2020. As a result, the required statutory capital and surplus as at 20 February 2020 is based on the MSM, whereas the required statutory capital and surplus as at 20 February 2019 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 2020. As a result, preliminary figures are included as at February 20 2020.

### 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 28,849 as at 20 February 2020 for parent company (20 February 2019 USD 31,703). Total costs regarding rent in the consolidated accounts amount to USD 28,849 as at 20 February 2020 (20 February 2019 USD 31,703).

### Note 17 - Events after the reporting period

#### Events after the reporting period that do not affect the company's financial position at the end of the reporting period, but which will affect the financial position in the future – COVID 19

On 11 March 2020, the World Health Organization named the COVID-19 virus as a pandemic, following which, inter alia, many global financial markets experienced heavy losses due to the uncertainty surrounding the world-wide spread of the virus. The situation is monitored closely, not only the development of the market risk, but also insurance risk, counterparty risk, operational risk and liquidity risk. The management are taking steps to manage the adverse financial and operational effects.