

# GARD M&E INSURANCE (EUROPE) AS

## Income statement

Amounts in USD 000's	21.02.15 to 20.05.15
<b>Technical account</b>	
Gross written premium	11,118
Ceded reinsurance	(10,354)
Change in gross premium reserve	(871)
Change in reinsurers' share of premium reserve	457
<b>Earned premium for own account</b>	<b>350</b>
Gross settled claims	4,525
Reinsurers' share of gross settled claims	(2,859)
Change in gross claims reserve	7,152
Reinsurers' share of change in claims reserve	(6,179)
<b>Claims incurred for own account</b>	<b>2,641</b>
Acquisition costs	1,550
Agents' commission	1,843
Commission received	(3,202)
<b>Insurance related expenses for own account</b>	<b>192</b>
<b>Other insurance related expenses</b>	<b>127</b>
<b>Technical result before change in contingency reserve</b>	<b>(2,610)</b>
<b>Change in contingency reserve</b>	<b>(2,466)</b>
<b>Technical result</b>	<b>(143)</b>
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<b>Non-technical account</b>	
Interest and similar income	157
Change in unrealised gain/loss on investments	(8)
Gains on realisation of investments	0
Investment management expenses	(6)
<b>Non-technical result</b>	<b>143</b>
<b>Profit before tax</b>	<b>0</b>
Taxation	0
<b>Net result</b>	<b>0</b>

# GARD M&E INSURANCE (EUROPE) AS

## Balance sheet

Amounts in USD 000's	As at 20.05.15	As at 20.02.15
<b>Assets</b>		
<b>Investments</b>		
<i>Financial investments at fair value through profit or loss</i>		
Bonds	8,524	8,553
Other financial investments	166	30
<b>Total investments</b>	<b>8,689</b>	<b>8,583</b>
<b>Reinsurers' share of technical provisions</b>		
Reinsurers' share of gross premium reserve	22,310	21,853
Reinsurers' share of gross claims reserve	25,871	19,693
<b>Total reinsurers' share of technical provisions</b>	<b>48,182</b>	<b>41,546</b>
<b>Receivables</b>		
<i>Receivables from direct insurance operations</i>		
Policyholders	21,153	22,394
<i>Receivables from reinsurance operations</i>		
Receivables from reinsurance operations	1,022	1,713
<b>Total receivables</b>	<b>22,175</b>	<b>24,107</b>
<b>Other assets</b>		
Cash and cash equivalents	15,490	14,422
Deferred tax asset	303	303
<b>Total other assets</b>	<b>15,792</b>	<b>14,725</b>
<b>Prepayments and accrued income</b>		
Accrued income and other prepayments	2,885	2,811
<b>Total prepayments and accrued income</b>	<b>2,885</b>	<b>2,811</b>
<b>Total assets</b>	<b>97,723</b>	<b>91,772</b>

# GARD M&E INSURANCE (EUROPE) AS

## Balance sheet

Amounts in USD 000's	As at 20.05.15	As at 20.02.15
<b>Equity and liabilities</b>		
<b>Paid-in equity</b>		
Statutory reserve	13.833	13.833
<b>Total equity</b>	<b>13.833</b>	<b>13.833</b>
<b>Technical provisions</b>		
Gross premium reserve	25.152	24.281
Gross claims reserve	29.944	22,792
<b>Total technical provisions</b>	<b>55.096</b>	<b>47.072</b>
<b>Contingency reserve</b>		
Contingency reserve	1.376	3.843
<b>Total contingency reserve</b>	<b>1.376</b>	<b>3.843</b>
<b>Provision for other liabilities</b>		
Income tax payable	732	732
<b>Total provisions for other liabilities</b>	<b>732</b>	<b>732</b>
<b>Payables</b>		
Payables arising out of direct insurance operations	29	100
Payables arising out of reinsurance operations	23.753	23.698
Payables group companies	1.471	472
Other payables	265	221
<b>Total payables</b>	<b>25.518</b>	<b>24.491</b>
<b>Accruals and deferred income</b>		
Accruals and deferred income	1.168	1.801
<b>Total accruals and deferred income</b>	<b>1.168</b>	<b>1.801</b>
<b>Total liabilities</b>	<b>83.890</b>	<b>77.938</b>
<b>Total equity and liabilities</b>	<b>97.723</b>	<b>91.772</b>

# GARD M&E INSURANCE (EUROPE) AS

## Cash flow analysis

	20.02.15
Amounts in USD 000's	20.05.15
<b>Cash flow from operating activities</b>	
Profit from ordinary operations before tax	(2,466)
Change in unrealised gain/loss on investments	8
Change in receivables and payables	2,959
Change in technical provisions and other accruals	682
Purchase/sale of other investments	(114)
<b>Net cash flow from operating activities</b>	<b>1,068</b>
<b>Cash flow from investment activities</b>	
Cash and cash equivalents acquired from merger	0
<b>Net cash flow from investment activities</b>	<b>0</b>
Net change in cash and cash equivalents	1,068
Cash and cash equivalents at beginning of year	14,422
Bank overdraft at beginning of year	
<b>Cash and cash equivalents at end of year</b>	<b>15,490</b>

# GARD M&E INSURANCE (EUROPE) AS

## Notes to the accounts

### Note 1 - Accounting Policies

#### Corporate information

**Gard Marine & Energy Insurance (Europe) AS** ("the Company") is a wholly owned subsidiary of Gard Marine & Energy Ltd ("Gard M&E"). The Company is registered and domiciled in Norway and licensed by the Norwegian Ministry of Finance to carry out direct insurance of Marine and Energy risks. The Company is the result of a merger between Gard Marine & Energy Försäkring AB in Sweden and a new Gard company Varmekrogen AS in Norway, both wholly-owned subsidiaries of Gard M&E. The merger took place with effect as from 31 December 2014.

Cross border merger between Gard Marine & Energy Försäkring AB, a public limited liability company having its business address in Västre Hamngatan 5, SE-411 77 Göteborg, Sweden, registration number 516406-0633 and Varmekrogen AS a limited liability company having its principle business address in Kittelsbuktveien 31, 4836 Arendal, Norway, registration number 913 861 825. Varmekrogen AS was renamed Gard Marine & Energy Insurance (Europe) AS from effective date of the merger, 31 December 2014.

All assets, rights and obligations were transferred to Gard Marine & Energy Insurance (Europe) AS with legal effect from 31 December 2014.

Gard Marine & Energy Insurance (Europe) AS has issued 300 shares, each with a par value at NOK 100. All of the shares are owned by Gard Marine & Energy Limited. The par value of shares in Gard Marine & Energy Insurance (Europe) AS was through the merger increased with NOK 319,936 per share, which gives a total increase of NOK 95,980,800. No new shares have been issued.

The accounting principle for the merger is based on continuity. The value of the assets, rights and obligations transferred to Gard Marine & Energy Insurance (Europe) AS that exceeds the increase in par value has been considered as share premium and free equity.

The merger shall for tax purposes not be based on the principle on continuity for Gard Marine and Energy Insurance (Europe) AS in Norway. The company will have new tax basis on the assets, rights and obligations transferred from Gard Marine & Energy Försäkring AB based on the market values.

#### Basis of preparation of the Accounts

The quarterly accounts include the activity from 21 February 2015 to 20 May 2015.

The financial statements have been prepared in accordance with Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance, except for the departures from these regulations listed below. The Company fulfils the exemption criteria in paragraphs 1-5 and 1-6 of Regulations for annual accounts for insurance companies which require limited use of International Financial Reporting Standards (IFRS). Paragraph 7-3 of the Regulations for annual accounts for insurance companies which allows late adoption of IFRS 13 and certain paragraphs in IFRS 7 have been applied.

*Departures from Regulations for annual accounts for insurance companies:*

1. A part of the financial income is not allocated to the technical result.

The financial statements of insurance companies with operation in Norway are subject to regulations established by the Norwegian Ministry of Finance. According to a resolution from the Financial Supervisory Authority of Norway the Association has been given dispensation to present the financial statements in the English language and in USD currency.

The accounts as at 20.05.2015 has not been audited.

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

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

# GARD M&E INSURANCE (EUROPE) AS

## Notes to the accounts

### (1) 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.

### **Note 2 – Related party transactions**

#### **Reinsurance agreements**

The Company cedes to Gard M&E by way of reinsurance 90 per cent of the Company's Marine & Energy risk underwritten by the Company that is not reinsured elsewhere.

#### **Insurance agency agreement**

The operations and insurance activities of the Company are carried out by the insurance intermediaries Gard AS and Gard (Sweden) AB. The company, Gard (Sweden) AB is fully owned by Gard AS. Gard AS is a fully owned daughter company of Gard P. & I. (Bermuda) Ltd.

# GARD M&E INSURANCE (EUROPE) AS

## Notes to the accounts

### Note 3 - Changes in contingency reserve

Amounts in USD 000's	20.05.15	20.02.15
Contingency reserve carried forward	3,843	4,997
Transfer from contingency reserve implemneted og IAS 19	(2,466)	(1,154)
Contingency reserve brought forward	1,376	3,843

The Board of Directors  
**GARD M&E INSURANCE (EUROPE) AS**

June 18 2015

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Trond Eilertsen  
Chariman

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Kjetil Eivindstad

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Anders Myklebust