

GARD M&E INSURANCE (EUROPE) AS

Income statement

Amounts in USD 000's	21.08.15 to 20.11.15	21.02.15 to 20.11.15
Technical account		
Gross written premium	24,259	72,505
Ceded reinsurance	(21,937)	(66,596)
Change in gross premium reserve	(3,511)	(24,878)
Change in reinsurers' share of premium reserve	2,463	21,925
Earned premium for own account	1,274	2,957
Gross settled claims	12,330	21,704
Reinsurers' share of gross settled claims	(9,341)	(16,683)
Change in gross claims reserve	1,382	21,001
Reinsurers' share of change in claims reserve	(1,215)	(18,637)
Claims incurred for own account	3,156	7,386
Acquisition costs	2,505	4,056
Agents' commission	2,334	5,230
Commission received	(3,823)	(9,213)
Insurance related expenses for own account	1,017	73
Other insurance related expenses	(2,623)	110
Technical result before change in contingency reserve	(276)	(4,612)
Change in contingency reserve	(225)	(4,781)
Technical result	(51)	169
Non-technical account		
Interest and similar income/(cost)	172	17
Change in unrealised gain/loss on investments	(112)	(158)
Gain/loss on realisation of investments	(2)	(7)
Investment management expenses	(7)	(20)
Non-technical result	51	(169)
Profit before tax	0	0
Taxation	0	0
Net result	0	0

GARD M&E INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	As at 20.11.15	As at 20.02.15
Assets		
Investments		
<i>Financial investments at fair value through profit or loss</i>		
Bonds	18,429	8,553
Other financial investments	208	30
Total investments	18,636	8,583
<hr/>		
Reinsurers' share of technical provisions		
Reinsurers' share of gross premium reserve	43,753	21,853
Reinsurers' share of gross claims reserve	38,330	19,693
Total reinsurers' share of technical provisions	82,083	41,546
<hr/>		
Receivables		
<i>Receivables from direct insurance operations</i>		
Policyholders	893	235
Intermediaries	44,673	22,159
<i>Receivables from reinsurance operations</i>		
Receivables from group companies	775	1,713
Other receivables	8	0
Total receivables	46,348	24,107
<hr/>		
Other assets		
Cash and cash equivalents	20,914	14,422
Deferred tax asset	303	303
Total other assets	21,217	14,725
<hr/>		
Prepayments and accrued income		
Accrued income and other prepayments	6,015	2,811
Total prepayments and accrued income	6,015	2,811
Total assets	174,299	91,772

GARD M&E INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	As at 20.11.15	As at 20.02.15
Equity and liabilities		
Paid-in equity		
Statutory reserve	33,268	13,833
Total equity	33,268	13,833
<hr/>		
Technical provisions		
Gross premium reserve	49,158	24,281
Gross claims reserve	43,793	22,792
Total technical provisions	92,951	47,072
<hr/>		
Contingency reserve		
Contingency reserve	(939)	3,843
Total contingency reserve	(939)	3,843
<hr/>		
Provision for other liabilities		
Income tax payable	707	732
Total provisions for other liabilities	707	732
<hr/>		
Payables		
Payables arising out of direct insurance operations	797	100
Payables arising out of reinsurance operations	41,379	23,698
Payables group companies	19	472
Other payables	179	221
Total payables	42,375	24,491
<hr/>		
Accruals and deferred income		
Accruals and deferred income	5,937	1,801
Total accruals and deferred income	5,937	1,801
Total liabilities	141,031	77,938
Total equity and liabilities	174,299	91,772

GARD M&E INSURANCE (EUROPE) AS

Cash flow analysis

Amounts in USD 000's	21.02.15 to 20.11.15
Cash flow from operating activities	
Profit from ordinary operations before tax	(4,781)
Change in unrealised gain/loss on investments	158
Change in receivables and payables	(4,358)
Change in technical provisions and other accruals	6,277
Purchase/sale of other investments	(7)
Net cash flow from operating activities	(2,711)
Cash flow from investment activities	
Financial investments	(10,212)
Investment management expenses	(20)
Net cash flow from investment activities	(10,232)
Cash flow from financial activities	
Increase of share capital	19,435
Net cash flow from financial activities	19,435
Net change in cash and cash equivalents	6,492
Cash and cash equivalents at beginning of year	14,422
Cash and cash equivalents at end of period	20,914

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 1 - Corporate information

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 activity from 21 February 2015 to 20 November 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 20.11.2015 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.

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.

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

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.

Note 3 - Changes in contingency reserve

	As at 20.11.15	As at 20.02.15
Amounts in USD 000's		
Contingency reserve carried forward	3,843	4,997
Change in contingency reserve	(4,781)	(1,154)
Contingency reserve brought forward	(939)	3,843

The Board of Directors
Gard M&E Insurance (Europe) AS

22 January 2016

Trond Eilertsen
Chairman

Kjetil Eivindstad

Anders Myklebust