

Chaucer Underwriting A/S
Kongens Nytorv 5
1050 København K
Central Business Registration No
21240095

Annual report 2017

The Annual General Meeting adopted the annual report on 18.05.2018

Chairman of the General Meeting

Name: Jesper Lundgren

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Entity details

Entity

Chaucer Underwriting A/S
Kongens Nytorv 5
1050 København K

Central Business Registration No: 21240095
Registered in: Copenhagen
Financial year: 01.01.2017 - 31.12.2017

Board of Directors

David Clifford Bendle
Timothy Edward Darke
Gero Walter Michel

Executive Board

Gero Walter Michel

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Chaucer Underwriting A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 28.03.2018

Executive Board

Gero Walter Michel

Board of Directors

David Clifford Bendle

Timothy Edward Darke

Gero Walter Michel

Independent auditor's report

To the shareholders of Chaucer Underwriting A/S

Opinion

We have audited the financial statements of Chaucer Underwriting A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 and the additional requirements applicable in Denmark 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, 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 Entity'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 in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 28.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Eigil Hansen
State Authorised Public Accountant
Identification number (MNE) mne9384

Management commentary

Primary activities

The Company's primary activity is to act as an insurance agent.

Development in activities and finances

The net result of the year 2017 is 1.033 TDKK. The result is as expected.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK'000</u>
Revenue		19.467.943	25.001
Other external expenses		<u>(2.656.801)</u>	<u>(3.406)</u>
Gross profit/loss		16.811.142	21.595
Staff costs	1	(15.369.813)	(16.567)
Depreciation, amortisation and impairment losses	2	<u>(53.932)</u>	<u>(54)</u>
Operating profit/loss		1.387.397	4.974
Other financial income		37.935	357
Other financial expenses		<u>(29.229)</u>	<u>(49)</u>
Profit/loss before tax		1.396.103	5.282
Tax on profit/loss for the year	3	<u>(362.825)</u>	<u>(1.228)</u>
Profit/loss for the year		1.033.278	4.054
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		2.000.000	0
Extraordinary dividend distributed in the financial year		3.500.000	5.000
Retained earnings		<u>(4.466.722)</u>	<u>(946)</u>
		1.033.278	4.054

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK'000</u>
Other fixtures and fittings, tools and equipment		16.240	55
Leasehold improvements		4.717	20
Property, plant and equipment	4	20.957	75
Deposits		356.388	343
Deferred tax		17.552	13
Fixed asset investments		373.940	356
Fixed assets		394.897	431
Receivables from group enterprises		5.363.385	9.652
Other receivables		4.603.976	5.036
Prepayments		38.521	21
Receivables		10.005.882	14.709
Cash		5.525.510	4.269
Current assets		15.531.392	18.978
Assets		15.926.289	19.409

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK'000</u>
Contributed capital	5	500.000	500
Retained earnings		7.915.666	12.382
Proposed dividend		<u>2.000.000</u>	<u>0</u>
Equity		<u>10.415.666</u>	<u>12.882</u>
Trade payables		117.250	115
Income tax payable		311.817	999
Other payables		<u>5.081.556</u>	<u>5.413</u>
Current liabilities other than provisions		<u>5.510.623</u>	<u>6.527</u>
Liabilities other than provisions		<u>5.510.623</u>	<u>6.527</u>
Equity and liabilities		<u>15.926.289</u>	<u>19.409</u>
Unrecognised rental and lease commitments	6		
Group relations	7		

Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Proposed extraordinary dividend DKK	Proposed dividend DKK
Equity beginning of year	500.000	12.382.388	0	0
Extraordinary dividend paid	0	0	(3.500.000)	0
Profit/loss for the year	0	(4.466.722)	3.500.000	2.000.000
Equity end of year	500.000	7.915.666	0	2.000.000
				Total DKK
Equity beginning of year				12.882.388
Extraordinary dividend paid				(3.500.000)
Profit/loss for the year				1.033.278
Equity end of year				10.415.666

Notes

	2017	2016
	DKK	DKK'000
1. Staff costs		
Wages and salaries	11.753.178	13.245
Pension costs	1.463.976	1.472
Other social security costs	1.891.411	1.453
Other staff costs	261.248	397
	15.369.813	16.567
Average number of employees	11	11
	2017	2016
	DKK	DKK'000
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	53.932	54
	53.932	54
	2017	2016
	DKK	DKK'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	367.322	1.229
Change in deferred tax for the year	(4.497)	(1)
	362.825	1.228
	Other	Leasehold
	fixtures and	improve-
	fittings,	ments
	tools and	DKK
	equipment	DKK
	DKK	DKK
4. Property, plant and equipment		
Cost beginning of year	390.867	75.215
Cost end of year	390.867	75.215
Depreciation and impairment losses beginning of the year	(335.739)	(55.454)
Depreciation for the year	(38.888)	(15.044)
Depreciation and impairment losses end of the year	(374.627)	(70.498)
Carrying amount end of year	16.240	4.717

Notes

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
5. Contributed capital			
Ordinary shares	5.000	100	500.000
	5.000		500.000

	<u>2017 DKK</u>	<u>2016 DKK'000</u>
6. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	553.160	953

7. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Hanover Insurance Group, Inc., USA

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
CH 1997 Limited, England

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when earned, i.e. risk has passed to the buyer. Revenue is recognised net of duties and discounts and is measured at fair value. The Main source of income is related to a cost-plus model.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Accounting policies

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.