

Chaucer Underwriting ApS
Kongens Nytorv 5
1050 København K
Central Business Registration No
21240095

Annual report 2019

The Annual General Meeting adopted the annual report on 18.05.2020

Chairman of the General Meeting

Name: Jesper Lundgren

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Entity details

Entity

Chaucer Underwriting ApS
Kongens Nytorv 5
1050 København K

Central Business Registration No: 21240095

Registered in: Copenhagen

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

David Clifford Bendle
Johnny Bøgelund Nielsen

Executive Board

Johnny Bøgelund Nielsen

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 ApS for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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

Copenhagen, 18.05.2020

Executive Board

Johnny Bøgelund Nielsen

Board of Directors

David Clifford Bendle

Johnny Bøgelund Nielsen

Independent auditor's report

To the shareholders of Chaucer Underwriting ApS

Opinion

We have audited the financial statements of Chaucer Underwriting ApS for the financial year 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 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, 18.05.2020

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 2019 is 992 TDKK. The result is as expected.

Events after the balance sheet date

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, the Company does not consider it practicable to provide a quantitative estimate of the potential future impact of this outbreak on the Company.

Income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Revenue		14.760.382	22.822
Other external expenses		<u>(2.196.988)</u>	<u>(2.941)</u>
Gross profit/loss		12.563.394	19.881
Staff costs	2	(11.189.459)	(17.939)
Depreciation, amortisation and impairment losses	3	<u>(8.608)</u>	<u>(26)</u>
Operating profit/loss		1.365.327	1.916
Other financial expenses		<u>(23.473)</u>	<u>(34)</u>
Profit/loss before tax		1.341.854	1.882
Tax on profit/loss for the year	4	<u>(349.376)</u>	<u>(472)</u>
Profit/loss for the year		992.478	1.410
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		0	3.500
Retained earnings		<u>992.478</u>	<u>(2.090)</u>
		992.478	1.410

Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Other fixtures and fittings, tools and equipment		29.086	38
Leasehold improvements		0	0
Property, plant and equipment	5	29.086	38
Deposits		385.469	371
Deferred tax		9.203	16
Fixed asset investments		394.672	387
Fixed assets		423.758	425
Receivables from group enterprises		2.198.657	8.287
Other receivables		4.446.704	4.446
Prepayments		3.968	27
Receivables		6.649.329	12.760
Cash		3.411.864	6.157
Current assets		10.061.193	18.917
Assets		10.484.951	19.342

Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Contributed capital	6	500.000	500
Retained earnings		6.818.345	5.826
Proposed dividend		<u>0</u>	<u>3.500</u>
Equity		<u>7.318.345</u>	<u>9.826</u>
Bank loans		20.807	29
Trade payables		129.639	119
Income tax payable		415.032	212
Other payables		<u>2.601.128</u>	<u>9.156</u>
Current liabilities other than provisions		<u>3.166.606</u>	<u>9.516</u>
Liabilities other than provisions		<u>3.166.606</u>	<u>9.516</u>
Equity and liabilities		<u>10.484.951</u>	<u>19.342</u>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	7		
Contingent liabilities	8		
Group relations	9		

Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	5.825.867	3.500.000	9.825.867
Ordinary dividend paid	0	0	(3.500.000)	(3.500.000)
Profit/loss for the year	0	992.478	0	992.478
Equity end of year	500.000	6.818.345	0	7.318.345

Notes

1. Events after the balance sheet date

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, the Company does not consider it practicable to provide a quantitative estimate of the potential future impact of this outbreak on the Company.

	2019	2018
	DKK	DKK'000
2. Staff costs		
Wages and salaries	8.438.185	14.476
Pension costs	937.989	1.370
Other social security costs	1.619.103	1.810
Other staff costs	194.182	283
	11.189.459	17.939
Average number of employees	8	10

	2019	2018
	DKK	DKK'000
3. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	8.608	26
	8.608	26

	2019	2018
	DKK	DKK'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	342.175	471
Change in deferred tax for the year	7.201	1
	349.376	472

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
5. Property, plant and equipment		
Cost beginning of year	433.905	75.215
Cost end of year	433.905	75.215
Depreciation and impairment losses beginning of the year	(396.211)	(75.215)
Depreciation for the year	(8.608)	0
Depreciation and impairment losses end of the year	(404.819)	(75.215)
Carrying amount end of year	29.086	0

	Number	Par value DKK	Nominal value DKK
6. Contributed capital			
Ordinary shares	5.000	100	500.000
	5.000		500.000

	2019 DKK	2018 DKK'000
7. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	440.470	435

8. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Chaucer Corporate Capital (No 3) Limited serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2017 for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

9. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
China Reinsurance (Group) Corporation

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Notes

China Reinsurance (Group) Corporation

The largest and smallest group of undertakings for which group financial statements are prepared, and in which the result of the Syndicate is included, is China Reinsurance (Group) Corporation, a company incorporated and registered in China. China Re became the ultimate parent of the Syndicate's corporate member on 28 December 2018 following completion of its acquisition of 100% of The Hanover Insurance International Holdings Limited (subsequently renamed China Re International Holdings Limited) by China Re International Company Ltd, its wholly owned subsidiary. The Managing Agent considers China Re to be its ultimate parent company. A copy of the most recent consolidated financial statements is available from the website of China Reinsurance (Group) Corporation (www.chinare.com/cn).

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 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.

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.

Accounting policies

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.