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2019 ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2019

QIC EUROPE LIMITED

ANNUAL REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

COMPANY REGISTRATION NO. C67694

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Directors' Report

The Directors present their annual report and the audited financial statements of QIC Europe Limited (the "Company") for the year ended December 31, 2019.

Principal activities

The principal activity of the Company consists of the business of general insurance. The Company was authorised on November 21, 2014 by Malta Financial Services Authority under the Insurance Business Act (Cap. 403 of the Laws of Malta) to conduct business of insurance and reinsurance under Classes 1 to Classes 18.

Review of the business

During the period under review, the Company reported a net profit after tax of USD 2.4 million compared to a net profit after tax of USD 1.2 million in FY 2018. The increase in profit is majorly attributable to the increase in investment income and foreign exchange gains recorded on revaluation of monetary assets and liabilities.

Premiums written by the Company reached USD 633 million (2018: USD 578 million), thereby registering almost a 10% (2018: 40%) increase. The numbers reflect renewal of existing books of business across Casualty, Liability and Property lines and new business written in Property and Motor classes.

The technical result for general business in current year stands at USD 3.4 million compared to USD 5.2 million in FY 2018. The reduction in underwriting income despite a 10% increase in gross written premiums is attributable to major losses reported on the Property, Aviation and Agriculture lines of business.

The Company's net investment income amounted to USD 2.8 million (2018: USD 1.7 million). The main source remains interest income derived from investment in fixed income instruments (bonds) and the increase over the previous year is majorly attributable to realised gains. The fair value gain of USD 1.2 million (2018: loss of USD 0.4 million) during the year was driven by the revaluation of bonds as at December 31, 2019.

The share capital and the capital contribution increased to USD 62.0 million (2018: USD 55.4 million). During the year, Qatar Reinsurance Company Limited (the "immediate parent") injected an additional capital contribution of USD 6.5 million. The shareholder's equity increased to USD 66.8 million (2018: USD 56.6 million) due to the new capital injection and the profit recorded during the year.

Principal risks and uncertainties

The principal risks and uncertainties are disclosed in Note 20 Financial Instruments and Risk Management.

The critical judgements and key sources of estimation uncertainty are disclosed in Note 4 Critical Judgements and Key Sources of Estimation Uncertainty.

Financial risk management

Note 20 to the financial statements provides details in connection with the Company's use of financial instruments, its financial risk management objectives and policies and the financial risks to which it is exposed.

Result and dividends

The result for the year ended December 31, 2019 is shown in the Statement of Comprehensive Income on page 10. The total comprehensive income for the year amounted to USD 3.7 million (2018: USD 0.8 million).

The Directors are proposing a final dividend distribution of USD 2.4 million for the year to be paid on ordinary shares, which distribution will be approved by the shareholders in the forthcoming Annual General Meeting.

Events after the reporting period

The Coronavirus pandemic ("COVID-19") has been identified as a non-adjusting post balance sheet event and a Group wide assessment has been undertaken by the Company's immediate parent to evaluate the impact on the Group of which the Company forms part of.

Given the constantly evolving situation brought about by this pandemic and the uncertainties brought about in the markets where the Company's insurance risk is concentrated and the dependability of the Company on its immediate parent and main reinsurer, the Company's immediate parent has confirmed in writing its commitment to continue providing financial support to the Company for at least a period of 12 months from the date of approval of these Company's financial statements, so as to enable the Company to meet its liabilities as and when they fall due and to adequately meet the regulatory solvency capital requirement.

The Board is committed to continue monitoring the situation and will take further necessary actions to minimise the possible impacts of COVID-19.

Directors

The Directors who served during the period were:

George Andrew Prescott (Chairman)

James Bonello

Richard Anthony Sutlow
(Resigned on December 11, 2019)

Alok Sahi

Faraz Khalid

Meera Rajoo-Oakley

Michael Paul Van Der Straaten
(Resigned on December 11, 2019)

Pantelis Koulovasilopoulos
(Appointed on December 11, 2019)

In accordance with the Company's articles of association, the Directors, with exception of those who resigned during the year, are to remain in office.

Auditors

A resolution to appoint Group appointed audit firm as auditor of the Company will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors and signed on its behalf on June 1, 2020 by:

George Andrew Prescott
Chairman

Alok Sahi
Director

Statement of Directors' Responsibilities

The Directors are required by the Insurance Business Act and the Companies Act (Cap. 403 and Cap. 386 of the Laws of Malta, respectively) to prepare financial statements in accordance with generally accepted accounting principles and practices which give a true and fair view of the state of affairs of the Company at the end of each financial period and of the profit or loss of the Company for the period then ended. In preparing the financial statements, the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the Directors to ensure that the financial statements comply with the Insurance Business Act and the Companies Act (Cap. 403 and Cap. 386 of the Laws of Malta, respectively). This responsibility includes designing, implementing and maintaining such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on its behalf on June 1, 2020 by:

George Andrew Prescott
Chairman

Alok Sahi
Director

Statement of Financial Position
At 31 December 2019

	Notes	31 December 2019 USD ('000)	Restated 31 December 2018 USD ('000)	Restated 31 December 2017 USD ('000)
ASSETS				
Cash and cash equivalents	5	4,146	18,304	39,555
Premiums and other receivables	6	390,025	297,915	204,499
Reinsurance contract assets	7	700,643	562,070	418,747
Deferred tax asset	13	–	245	–
Investments	8	82,257	60,026	57,745
Property and equipment	9	65	63	87
TOTAL ASSETS		1,177,136	938,623	720,633
LIABILITIES AND EQUITY				
LIABILITIES				
Provisions, reinsurance and other payables	10	341,784	266,391	207,141
Deferred tax liability	13	462	–	92
Income tax payable	10	1,976	713	1,152
Due to related parties	12	2,195	1,241	457
Insurance contract liabilities	7	763,968	613,693	456,032
TOTAL LIABILITIES		1,110,385	882,038	664,874
EQUITY				
Share capital	14	22,500	22,500	22,500
Capital contribution	15	39,458	32,958	32,958
Fair value reserve		859	(362)	50
Retained earnings		3,934	1,489	251
TOTAL EQUITY		66,751	56,585	55,759
TOTAL LIABILITIES AND EQUITY		1,177,136	938,623	720,633

The accounting policies and explanatory notes on pages 14 to 48 form an integral part of the financial statements.

The financial statements on pages 7 to 48 were approved by the Board of Directors on June 1, 2020 and signed on its behalf by the following signatories:

George Andrew Prescott
Chairman

Alok Sahi
Director

Statement of Profit or Loss – Technical Account
For the year ended 31 December 2019

	Notes	31 December 2019 USD ('000)	31 December 2018 USD ('000)
Earned premiums, net of reinsurance			
Gross written premiums	16	633,112	577,935
Outward reinsurance premiums	16	(583,327)	(529,142)
Net premiums written		49,785	48,793
Change in provision for unearned premiums, gross		(43,755)	(45,543)
Change in provision for unearned premiums, reinsurers' share		42,175	41,769
Change in net provision for unearned premiums	16	(1,580)	(3,774)
Earned premiums, net of reinsurance		48,205	45,019
Commission income	16	214,666	166,795
Allocated investment return transferred from non-technical account		579	469
Total technical income		263,450	212,283
Claims incurred, net of reinsurance			
Claims paid			
– Gross amount	16	(267,766)	(237,296)
– Reinsurers' share	16	244,828	217,098
		(22,938)	(20,198)
Change in the provision for claims			
– Gross amount		(106,520)	(112,118)
– Reinsurers' share		96,398	101,556
		(10,122)	(10,562)
Claims incurred, net of reinsurance		(33,060)	(30,760)
Commission expenses	16	(226,941)	(176,338)
Total technical expenses		(260,001)	(207,098)
Balance on the technical account for general business (page 9)		3,449	5,185

The accounting policies and explanatory notes on pages 14 to 48 form an integral part of the financial statements.

Statement of Profit or Loss – Non-Technical Account
For the year ended 31 December 2019

	Notes	31 December 2019 USD ('000)	31 December 2018 USD ('000)
Balance on the technical account for general business (page 8)		3,449	5,185
Net investment income	17	2,817	1,739
Allocated investment return transferred to the general business technical accounts		(579)	(469)
Net foreign exchange gain/(loss)		1,025	(1,425)
Operating and administrative expenses	18	(2,936)	(3,127)
Profit before tax for the year		3,776	1,903
Income tax	11	(1,331)	(665)
Net profit for the year		2,445	1,238

The accounting policies and explanatory notes on pages 14 to 48 form an integral part of the financial statements.

Statement of Comprehensive Income
For the year ended 31 December 2019

	31 December 2019	31 December 2018
	USD ('000)	USD ('000)
Net profit after tax for the year	2,445	1,238
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss: Debt instrument at fair value through other comprehensive income (FVOCI) Net changes in fair value during the period	1,221	(412)
Total comprehensive income for the year	3,666	826

The accounting policies and explanatory notes on pages 14 to 48 form an integral part of the financial statements.

Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital	Capital contribution	Fair value reserve	Retained earnings	Total equity
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Balance as at December 31, 2017	22,500	32,958	171	130	55,759
Impact of adopting IFRS 9	–	–	(121)	121	–
Adjusted balance as at January 1, 2018	22,500	32,958	50	251	55,759
Profit for the year	–	–	–	1,238	1,238
Net changes in fair value on available-for-sale investments	–	–	(412)	–	(412)
Total comprehensive income for the year	–	–	(412)	1,238	826
Balance as at December 31, 2018	22,500	32,958	(362)	1,489	56,585
Profit for the year	–	–	–	2,445	2,445
Net changes in financial investments at fair value through other comprehensive income (FVOCI)	–	–	1,221	–	1,221
Total comprehensive income for the year	–	–	1,221	2,445	3,666
Transactions with owners Capital contribution (Note 15)	–	6,500	–	–	6,500
Balance as at December 31, 2019	22,500	39,458	859	3,934	66,751

The accounting policies and explanatory notes on pages 14 to 48 form an integral part of the financial statements.

Statement of Cash Flows
For the year ended 31 December 2019

	Notes	31 December 2019 USD ('000)	Restated 31 December 2018 USD ('000)
OPERATING ACTIVITIES			
Profit before tax for the year		3,776	1,903
Adjustments for:			
Depreciation	9	55	25
Expected credit loss	8	12	–
Amortisation	8	37	51
Investment income	17	(3,130)	(2,028)
		750	(49)
Movements in working capital			
Premiums and other receivables		(92,310)	(96,752)
Insurance contract liabilities, net		11,702	14,335
Provisions, insurance and other payables		75,914	59,254
Due to related parties		954	784
Cash used in operations		(2,990)	(22,428)
Income tax paid		(68)	(1,103)
Net cash used in operating activities		(3,058)	(23,531)
INVESTING ACTIVITIES			
Acquisition of investments	8	(122,105)	(39,367)
Proceeds from disposal of investments	8	101,639	36,540
Investment income received		2,866	2,150
Acquisition of property and equipment	9	–	(1)
Net cash used in investing activities		(17,600)	(678)
FINANCING ACTIVITIES			
Capital contribution	15	6,500	2,958
Net cash generated from financing activities		6,500	2,958
Net decrease in cash and cash equivalents		(14,158)	(21,251)
Cash and cash equivalents at the beginning of the year	5	18,304	39,555
Cash and cash equivalents at the end of the year	5	4,146	18,304

The accounting policies and explanatory notes on pages 14 to 48 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

QIC Europe Limited (the "Company") is a limited liability company registered and domiciled in Malta with registration no. C67694 on November 20, 2014. The Company was authorised on November 21, 2014 by Malta Financial Services Authority (the "MFSA") under the Insurance Business Act (Cap. 403 of the Laws of Malta) to conduct business of insurance and reinsurance under Class 1 to Class 18.

The registered address of the Company is The Hedge Business Center, Triq Ir-Rampa Ta' San Ġiljan, Balluta Bay, St. Julian's, Malta.

During 2018, the shareholding of the Company was transferred to Qatar Reinsurance Company Limited (the "immediate parent") registered at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda from Qatar Insurance Company Q.S.P.C. Doha, Qatar (the "ultimate parent") which is registered at QIC Building, Tamim Street, West Bay, Doha, Qatar and is also the ultimate shareholder of the Company.

The Company operates from its head office located in Malta and has branches established in United Kingdom and Italy.

2.1. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU").

Basis of preparation

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets that are measured at fair value. These financial statements are presented in United States Dollars (USD) and rounded to the nearest thousand (USD '000), unless otherwise indicated. The USD is also the functional currency of the Company.

The statement of financial position is organised in decreasing order of liquidity, with additional disclosures on the current or non-current nature of the Company's assets and liabilities provided within the notes to the financial statements.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in existence for the foreseeable future. As explained in Note 23 to these financial statements, based on the current prevailing circumstances, the Company should be able to absorb the impact brought about by this pandemic and continue satisfying the regulatory solvency requirements.

However, considering the uncertainties brought about by the constantly evolving situation of COVID-19 in the markets where the Company's main insurance risk is situated, the Company's immediate parent has confirmed in writing its commitment to continue providing financial support to the Company for at least a period of 12 months from the date of approval of the Company's financial statements, so as to enable the Company to meet its liabilities as and when they fall due and to adequately meet the regulatory solvency capital requirement.

2.2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, interpretations and amendments to published standards as endorsed by the EU effective during the year ended December 31, 2019

- IFRS 16 "Leases" (effective for financial years beginning on or after January 1, 2019);
- IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement" (effective for financial years beginning on or after January 1, 2019);
- IAS 28 (Amendments) "Long Term Interests in Associates and Joint Ventures" (effective for financial years beginning on or after January 1, 2019); and
- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for financial years beginning on or after January 1, 2019).
- Annual Improvements to IFRS standards 2015–2017 Cycle.

In 2019, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on January 1, 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU, with the exception of the standards discussed below did not result in substantial changes to the Company's accounting policies.

IFRS 16 "Leases"
The Company applied IFRS 16 "Leases" for the first time. IFRS 16 supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the Statement of Financial Position.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company has lease contracts for items of property. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon the adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously classified as finance leases
The Company did not have any leases previously classified as a finance lease under IAS 17.

Leases previously accounted for as operating leases
The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application.

In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

On transition to IFRS 16, the Company recognized additional right-of-use assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below:

	1 January 2019
	USD ('000)
Right-of-use assets	57
Lease liabilities	57
Retained earnings	–

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 3.01% for property.

Standards, interpretations and amendments to published standards as endorsed by the EU that were effective before 2019 for which the Company elected not to apply temporary exemption

IFRS 9 "Financial Instruments"

The Company applied IFRS 9 "Financial Instruments" for the first time during the financial year ended December 31, 2019. Prior to 2019, the Company had availed itself of the temporary exemption from IFRS 9 as per Amendments to IFRS 4 "Insurance Contracts", Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts". However, the Company decided to align its accounting policies with those of the Group it forms part of and therefore applied retrospectively IFRS 9.

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Company applied IFRS 9 retrospectively with initial application date of January 1, 2018.

The effect of adopting IFRS 9 as at January 1, 2018 was, as follows:

a) Classification and measurement

The IAS 39 measurement categories have been replaced by: fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). From a classification and measurement perspective, the new standard requires all financial assets, except equity instruments and derivates, to be assessed based on two criteria: the Company's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding.

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If a financial asset is held within a business model other than 'hold to collect' or 'hold to collect and sell', then the financial asset is required to be measured at FVTPL without further analysis. For those financial assets where the contractual cash flows arising on specified dates that are SPPI on the principal amount outstanding, classification at amortised cost or FVOCI will depend on whether the business model is to hold financial assets for the collection of contractual cash flows or whether the objective of the business model is achieved by both the collection of contractual cash flows and selling financial assets. If an instrument contains contractual cash flows which do not represent SPPI, then the classification to be used is FVTPL even if it is held in a business model that is either hold to collect or hold to collect and sell.

The assessment of the Company's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The new classification and measurement of the Company's financial assets are as follows:

- Receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments at amortised cost.
- Quoted debt instruments previously designated as available-for-sale investments are held within a business model that is achieved by both the collection of contractual cash flows and the selling of financial assets. In view of this, such quoted debt instruments have been classified at FVOCI.
- One particular investment that was being held for trading purposes as at January 1, 2018 and subsequently sold during 2018 has been reclassified from available-for-sale to FVTPL. The fair value of the debt security as at January 1, 2018 amounted to USD 1.864 million, and its unrealized fair value movement as at that date amounted to USD 0.156 million.

Such classification under IFRS 9 is the same as the previous classification under IAS 39, except for that investment classified at FVTPL. Other than that, there are no significant changes in the classification and recognition of such financial assets under IFRS 9 when compared to the one presented for financial years ended December 31, 2018 and prior.

	IAS 39 measurement category	**IFRS 9 measurement category**	**IAS 39 carrying amount**	**IFRS 9 impact reclass**	**IFRS 9 carrying amount**
			USD ('000)	USD ('000)	USD ('000)
Cash and deposits	AC (L&R)[1]	AC[2]	39,555	–	39,555
Debt securities – bonds	AFS[3]	FVOCI[4]	57,745	(1,864)	55,881
Debt securities – bonds	AFS[3]	FVTPL[5]	–	1,864	1,864
			97,300	–	97,300

1. Amortised cost (Loans and receivables) (IAS 39)
2. Amortised cost (IFRS 9)
3. Available-for-sale (IAS 39)
4. Fair value through other comprehensive income (IFRS 9)
5. Fair value through profit or loss (IFRS 9)

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The Company's accounting policy on classification of its financial assets and liabilities is explained in Note 3 Significant Accounting Policies.

The impact of IFRS 9 on the elements of the financial statements is as follows:

	Retained earnings	Fair value reserve
	USD ('000)	USD ('000)
Closing balance under IAS 39 as at December 31, 2017	130	171
Impact of reclassification of available-for-sale debt securities to FVTPL	156	(156)
Impact of recognition of ECLs	(35)	35
Restated balance as at January 1, 2018	251	50

b) Impairment

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Company to record an allowance for ECLs for all debt financial assets not held at FVTPL.

For debt instruments, the ECL is based on the portion of lifetime ECLs ("LTECL") that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full LTECL.

The Company's debt instruments at FVOCI and amortised cost comprise quoted bonds that are graded in the top investment category by credit rating agency, and therefore are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL ("12mECL") basis.

The Company does, however, consider that there has been a significant increase in credit risk for a previously assessed low credit risk investment when any contractual payments on these instruments are more than 30 days past due. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. There were no such instances in 2019 and 2018.

The adoption of the ECL requirements of IFRS 9 has resulted in increases in impairment allowances in respect of the Company's debt instruments. The increase in allowance was adjusted to retained earnings.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for Impairment under IAS 39 as at December 31, 2017	Remeasurement	ECL under IFRS 9 as at January 1, 2018
	USD ('000)	USD ('000)	USD ('000)
Available-for-sale financial assets and due from banks and deposits under IAS 39 / Debt instruments at FVOCI under IFRS 9	–	35	35

Paragraph 2.1 of IFRS 9 lists the scope exclusions for IFRS 9, which excludes the rights and obligations arising under insurance contracts that contain discretionary participating feature as per IFRS 4. In the absence of guidance of impairment of assets under an insurance contract in IFRS 4 including premium receivables, the existing impairment accounting policy of the Company will apply to these assets.

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective and not early adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorization for issue of these financial statements but are mandatory for the Company's accounting periods beginning after January 1, 2020. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

- Amendments to IFRS9, IAS 39 and IFRS7 "Interest Rate Benchmark Reform" (effective for financial years beginning on or after January 1, 2020);
- Amendments to IAS 1 and IAS 8 "Definition of Material" (effective for financial years beginning on or after January 1, 2020); and
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial years beginning on or after January 1, 2020.

The adoption of the above-mentioned standards, interpretations and amendments is not expected to have an impact on the financial statements or performance of the Company.

Standards, interpretations and amendments issued by the International Accounting Standards Board ("IASB") but not yet endorsed by the EU and not yet effective

- Amendments to IFR 3 "Business Combinations" (effective for financial years beginning on or after January 1, 2020); and
- IFRS 17 "Insurance Contracts" (effective for financial years beginning on or after January 1, 2023).

The adoption of the above-mentioned standards, interpretations and amendments with the exception of the standards discussed below, are not expected to have an impact on the financial statements or performance of the Company.

IFRS 17 "Insurance Contracts"

IFRS 17 "Insurance Contracts" establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after January 1, 2023. The Company is considering the implications of the standard and its impact on the Company's financial results and position.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency

Foreign currency transactions

Foreign currency transactions are recorded in the functional currency of the Company at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the rate of exchange prevailing at the year end. The resultant exchange differences are included in the statement of profit or loss.

b) Financial instruments

Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below in the business model assessment and the SPPI test sections.

Financial instruments and initially recognised on the trade date measured at their fair value, except for financial assets and financial liabilities recorded at FVTPL, transaction costs are added to this amount.

Measurement categories

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost, as explained below
- FVOCI, as explained below

Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

The details of these conditions are outlined below.

i) Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

ii) SPPI test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de-minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Debt instruments measured at FVOCI

The Company applies the new category under IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise debt instruments that had previously been classified as available-for-sale under IAS 39. Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Subsequent measurement

Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (the "EIR") method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the statement of profit or loss when the investments are impaired.

Debt instruments at FVOCI

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained above. The ECL calculation for debt instruments at FVOCI is explained in Note 3(c). Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI
Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as investment income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Reclassification of financial assets and liabilities
The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

Derecognition

Derecognition other than for substantial modification
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

Derecognition due to substantial modification of terms and conditions
The Company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as a derecognition gain or loss. In the case of debt instruments at amortised cost, the newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors:

- Change in currency of the debt instrument;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.

c) Impairment of financial assets

The Company applies a three-stage approach to measuring ECL on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the three stages based on the change in credit quality since initial recognition.

Overview
The adoption of IFRS 9 has fundamentally changed the Company's impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From January 1, 2018, the Company has been recording the allowance for ECLs for debt financial assets not held at FVTPL. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the "lifetime expected credit loss" or "LTECL"), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (the "12mECL"). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company categorizes its FVOCI assets into stages as described below:

Stage 1: When financial instruments are first recognised, the Company recognises an allowance based on 12 month ECLs. Stage 1 also include financial instruments where the credit risk has improved and the instrument has been reclassified from Stage 2.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECLs. Stage 2 also include instruments, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and treated, along with the interests calculated. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition. Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition and are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Company calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon.
- The Exposure at Default ("EAD ") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to receive, including from the realisation of any collateral.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1: The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial asset considered credit-impaired, the Company recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Forward looking information

The Company, for forward looking information, relies on a broad range of forward-looking information as economic inputs, such as:

- Gross Domestic Product growth;
- Unemployment rates; and
- Central Bank base rates.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

d) Leases

Applicable till December 31, 2018

Operating lease payments were recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Applicable from January 1, 2019

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 3(c).

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Provisions, reinsurance and other payables.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

e) Insurance operations

i) Premiums and other receivables

Premiums and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss. After initial measurement, premiums and other receivables are measured at amortised cost as deemed appropriate.

Premiums receivables are derecognised when the derecognition criteria for financial assets, as described in Note 3(b), have been met.

ii) Reinsurance contract assets

The Company cedes insurance risk in the normal course of business as part of its businesses model. Reinsurance assets represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

iii) Reinsurance and other payables

Reinsurance and other payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequently, reinsurance and other payables are measured at amortised cost, as deemed appropriate.

iv) Gross written premiums

Gross written premiums are recognized when written and include an estimate for written premiums receivable at period end. Gross written premiums comprise the total premiums receivable for the whole period of cover provided by insurance contracts entered into during the accounting period. Gross written premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Premium on insurance contracts are recognized as revenue (earned premiums) proportionally over the period of risk coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date are reported as the unearned premium reserve.

v) Premiums ceded to reinsurers

Reinsurance premiums comprise the total premiums payable for the insurance cover provided by reinsurance contracts entered into during the period and are recognized on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of insurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

vi) Insurance contract liabilities

Insurance contract liabilities include the provision for claims reported and not settled, the provision for claims incurred but not reported and the provision for unearned premiums. Insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

Provision for claims reported and not settled

Provision for claims reported and not settled is recognized at the date the claims are known and covers the liability for losses and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.

Provision for claims incurred but not reported

Claims provision also includes liability for claims incurred but not reported as at the reporting date. The liability is calculated at the reporting date based on data provided by the Company's actuary. The current assumptions may include a margin for adverse deviations. The liability is not discounted for the time value of money.

Provision for unearned premiums

The provision for unearned premiums represents that portion of premiums received or receivable, which relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged and is brought to account as premium income over the term of the contract in accordance with the nature and type of insurance contract written by the Company.

Insurance contract liabilities are derecognised when the contract expires, discharged or cancelled by any party to the insurance contract.

Unexpired risks reserve and Liability Adequacy Testing

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed in accordance with IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions.

If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency.

vii) Gross claims paid

Gross claims paid include all claims paid during the year and the related external claims handling costs that are directly related to the processing and settlement of claims.

viii) Commission earned and paid

Commissions earned and paid are recognized at the time the policies are underwritten or deferred and amortised over the same period over which the corresponding premiums are recognised in accordance with the earning pattern of the underlying reinsurance contract.

f) General

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less in the statement of financial position. The cash equivalents are readily convertible to cash.

ii) Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Company.

Ongoing repairs and maintenance are charged to the statement of profit or loss during the financial period they are incurred.

The assets' residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the statement of profit or loss as an expense.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of profit or loss in the year the asset is derecognised.

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iii) Depreciation

Depreciation is provided on a straight line basis on all furniture and fixtures, computers and office equipment, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Furniture and fixtures	-	10 years
Right-of-use asset	-	1.25 years
Computers and office equipment	-	4 years

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at each financial year end.

iv) Impairment of non-financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that an asset or Company of assets is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the statement of profit or loss.

v) Provisions

The Company recognizes provisions in the financial statements when the Company has a legal or constructive obligation (as a result of a past event) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is created by charging the statement of profit or loss for any obligations as per the calculated value of these obligations and the expectation of their realisation at the reporting date.

vi) Taxation

The tax expense for period comprises current and deferred tax. Tax is recognised in the profit or loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in other comprehensive income.

vii) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

viii) Share capital

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

ix) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

In the opinion of the Directors, the accounting judgements made in the course of preparing these financing statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (Revised) "Presentation of Financial Statements".

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Claims made under insurance contract

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the statement of profit or loss in the year of settlement. As of December 31, 2019, the estimate for unpaid net claims amounted to USD 41 million (2018: USD 31 million).

For certain line of businesses (non-life), in order to estimate the liabilities, the expected loss ratios are calculated for all underlying insurance contracts. The amounts estimated as the difference between the current estimated losses and the reported loses are set aside as the incurred but not reported reserve for the losses that have been incurred but which are not yet known or have still to be reported.

Liability adequacy test

At each reporting, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of profit or loss.

Impairment of premiums and other receivables

An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the Company evaluating, the credit and liquidity position of the policyholders and the insurance companies, historical recovery rates including detailed investigations carried out as at reporting date and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the statement of profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the statement of profit or loss at the time of collection.

As of December 31, 2019, the net carrying values of premiums receivables amounted to USD 266 million (2018: USD 187 million).

5. CASH AND CASH EQUIVALENTS

	2019	2018
	USD ('000)	USD ('000)
Bank balances	4,146	18,304

6. PREMIUMS AND OTHER RECEIVABLES

	2019	2018
	USD ('000)	USD ('000)
Premiums receivables (i)		
Due from policyholders and coverholders (ii)	265,897	186,789
Other receivables (i)		
Deferred commissions	108,147	91,996
Claim related deposits	15,914	19,101
Advances	42	3
Prepayments	25	26
	124,128	111,126
	390,025	297,915

(i) All premiums and other receivables are current in nature except for premiums receivables of USD 59 million (2018: USD 42 million).
(ii) This includes an amount of USD 170 million (2018: USD 90 million) which is due from a related party company.

7. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2019	2018
	USD ('000)	USD ('000)
Gross insurance contract liabilities		
Claims reported and not settled	288,192	213,232
Claims incurred but not reported	182,879	151,319
Unearned premiums	292,897	249,142
	763,968	613,693
Reinsurer's share of insurance contract liabilities		
Claims reported and not settled	259,276	190,313
Claims incurred but not reported	171,025	143,590
Unearned premiums	270,342	228,167
	700,643	562,070
Net insurance contract liabilities		
Claims reported and not settled	28,916	22,919
Claims incurred but not reported	11,854	7,729
Unearned premiums	22,555	20,975
	63,325	51,623

Movements in provision for claims during the year are as follows:

	Year ended 2019			Year ended 2018		
	Insurance contract liabilities	Reinsurer's share	Net	Insurance contract liabilities	Reinsurer's share	Net
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
As at January 1,	364,551	(333,903)	30,648	252,433	(232,347)	20,086
Claims incurred	374,286	(341,226)	33,060	349,414	(318,654)	30,760
Claims paid/recovered	(267,766)	244,828	(22,938)	(237,296)	217,098	(20,198)
As at December 31,	**471,071**	**(430,301)**	**40,770**	**364,551**	**(333,903)**	**30,648**

Movements in provision for unearned premiums during the year are as follows:

	Year ended 2019			Year ended 2018		
	Insurance contract liabilities	Reinsurer's share	Net	Insurance contract liabilities	Reinsurer's share	Net
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
As at January 1,	249,142	(228,167)	20,975	203,599	(186,398)	17,201
Premiums written/ceded	633,112	(583,327)	49,785	577,935	(529,142)	48,793
Premiums earned	(589,357)	541,152	(48,205)	(532,392)	487,373	(45,019)
As at December 31,	**292,897**	**(270,342)**	**22,555**	**249,142**	**(228,167)**	**20,975**

8. INVESTMENTS

	2019	2018
	USD ('000)	USD ('000)
Financial investments at FVOCI		
Bonds – quoted	72,065	60,026
Liquidity funds	10,192	–
	82,257	60,026

Movement of FVOCI investments is as follows:

	2019	2018
	USD ('000)	USD ('000)
As at January 1,	60,026	57,745
Additions	122,105	39,367
Disposals	(101,639)	(36,540)
(Gain)/loss on disposal	(64)	138
ECL provision (i)	(12)	–
Amortisation	(37)	(51)
Fair value movement	1,878	(633)
FVOCI investments as at December 31,	82,257	60,026

(i) The movement in the ECL provision for 2018 amounted to USD 5 thousand. The 2018 amounts were not restated as the Company has deemed such amount not to be material to the users of the financial statements.

9. PROPERTY AND EQUIPMENT

	Furniture and fixtures	Right-of-use asset	Computers and office equipment	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Cost				
As at December 31, 2018	26	–	85	111
Recognition of right of use asset on initial application of IFRS 16 (Note 2.2)	–	57	–	57
As at December 31, 2019	**26**	**57**	**85**	**168**
Accumulated depreciation				
As at December 31, 2018	6	–	42	48
Charge during the year	3	31	21	55
As at December 31, 2019	**9**	**31**	**63**	**103**
Net book value				
As at December 31, 2018	20	–	43	63
As at December 31, 2019	**17**	**26**	**22**	**65**

10. PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2019	2018
	USD ('000)	USD ('000)
Deferred commissions	99,098	82,950
Due to reinsurance companies (i) & (ii)	228,386	168,805
Insurance premiums tax payable	13,470	14,144
Accrued expenses	804	492
Lease liabilities	26	–
	341,784	**266,391**
Current income tax payable	**1,976**	**713**

(i) All payables are current in nature except for amounts due to reinsurance companies of USD 51 million (2018: USD 36 million).

(ii) This balance includes balances with the immediate and ultimate parents of the Company amounting to USD 217 million (2018: USD 145 million).

11. INCOME TAX

	2019	2018
	USD ('000)	USD ('000)
Current tax		
Current year	1,331	665

The income tax expense for the year differs from the theoretical taxation applicable in Malta of 35% on the Company's profit from ordinary activities before tax of 35%, as follows:

	2019	2018
	USD ('000)	USD ('000)
Profit before tax for the year	3,776	1,903
Income tax at Malta's statutory income tax rate of 35%	(1,322)	(666)
Income tax effect of:		
Other	(9)	1
Income tax expense	**(1,331)**	**(665)**

12. DUE TO RELATED PARTIES

This represents balance due to the Company's ultimate parent, Qatar Insurance Company Q.S.P.C., and its subsidiaries for transactions which occurred during the period. Pricing policies, terms and payment for these transactions are approved by the Company's management. The terms and conditions of the amounts due to related parties are disclosed in Note 19.

13. DEFERRED TAXATION

	2019	2018
	USD ('000)	USD ('000)
Deferred tax (asset)/liability at beginning of reporting year	(245)	92
Charged to other comprehensive income:		
Gains/(losses) on FVOCI investments	707	(337)
Deferred tax liability/(asset) at end of reporting year	**462**	**(245)**

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2018: 35%).

As at December 31, 2019, the Company had a deferred tax asset of USD 4.6 million (2018: USD 4.6 million) with respect to unutilized deductions which has not been recognized in the Statement of Financial Position.

14. SHARE CAPITAL

The issued and fully paid in cash share capital consists of 22,500,000 (2018: 22,500,000) ordinary shares of USD 1 each. The authorised share capital comprised of 25,000,000 (2018: 25,000,000) ordinary shares of USD 1 each.

15. CAPITAL CONTRIBUTION

In 2017, Qatar Insurance Company Q.S.P.C. in its capacity as the ultimate parent of the Company made an additional capital contribution of amounting to 2017 USD 12.958 million, which is unfettered, does not give rise to a credit in favor of shareholder and is free from any servicing costs or charges. An amount equal to USD 2.958 million was still unpaid as at December 31, 2017 and was received during 2018.

During 2018, the ownership of the Company was transferred from Qatar Insurance Company Q.S.P.C. to Qatar Reinsurance Company Limited and no further contribution was made during the year.

During 2019 Qatar Reinsurance Company Limited in its capacity as the immediate parent of the Company made an additional capital contribution of amounting to 2019 USD 6.5 million, which is unfettered, does not give rise to a credit in favor of shareholder and is free from any servicing costs or charges.

16. SEGMENT INFORMATION

For management reporting purposes, the Company is organized into business segments based on their products and structure. The reportable operating segments are comprised of Property, Casualty (including Motor) and Other Products. These segments are the basis on which the Company reports its operating segment information. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements. No inter-segment transactions occurred in 2019 and 2018.

The Property Segment includes business written under the lines of business that includes Property Catastrophe, North America and International Property, Energy, Aviation, Marine, Agriculture and Engineering.

The Casualty Segment includes all casualty lines and the motor lines of business.

Other Segment includes business recognized by the Company as credit and surety, residual value insurance, structured finance and Lloyd's capacity.

Segment statement of profit or loss for the year ended December 31, 2019 and 2018

2019	Property	Casualty	Other	Total insurance	Investments	Un-allocated (expenses)/ income	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Gross written premiums	177,689	423,106	32,317	633,112	–	–	633,112
Premiums ceded to reinsurers	(158,764)	(395,308)	(29,255)	(583,327)	–	–	(583,327)
Net premiums	18,925	27,298	3,062	49,785	–	–	49,785
Movement in net unearned premiums	300	(2,242)	362	(1,580)	–	–	(1,580)
Net earned premiums	19,225	25,556	3,424	48,205	–	–	48,205
Gross claims paid	(55,327)	(187,819)	(24,620)	(267,766)	–	–	(267,766)
Reinsurance recoveries	47,878	175,334	21,616	244,828	–	–	244,828
Movement in net outstanding claims	(6,047)	(3,832)	(243)	(10,122)	–	–	(10,122)
Commission income	61,372	144,596	8,698	214,666	–	–	214,666
Commission expense	(66,574)	(151,778)	(8,589)	(226,941)	–	–	(226,941)
Net underwriting results	527	2,057	286	2,870	–	–	2,870
Investment income	–	–	–	–	2,817	–	2,817
Net foreign exchange gain	–	–	–	–	–	1,025	1,025
Net investment income	–	–	–	–	2,817	1,025	3,842
Total income	527	2,057	286	2,870	2,817	1,025	6,712
Operating and administrative expenses	–	–	–	–	–	(2,868)	(2,868)
Depreciation	–	–	–	–	–	(68)	(68)
Income tax expense	–	–	–	–	–	(1,331)	(1,331)
Segment results	527	2,057	286	2,870	2,817	(3,242)	2,445

2018	Property	Casualty	Other	Total insurance	Investments	Un-allocated (expenses)/ income	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Gross written premiums	174,947	391,420	11,568	577,935	–	–	577,935
Premiums ceded to reinsurers	(151,551)	(366,713)	(10,878)	(529,142)	–	–	(529,142)
Net premiums	23,396	24,707	690	48,793	–	–	48,793
Movement in net unearned premiums	(1,981)	(2,526)	733	(3,774)	–	–	(3,774)
Net earned premiums	21,415	22,181	1,423	45,019	–	–	45,019
Gross claims paid	(56,176)	(162,541)	(18,579)	(237,296)	–	–	(237,296)
Reinsurance recoveries	48,420	151,432	17,246	217,098	–	–	217,098
Movement in net outstanding claims	(5,220)	(5,193)	(149)	(10,562)	–	–	(10,562)
Commission income	45,758	108,051	12,986	166,795	–	–	166,795
Commission expense	(50,655)	(111,748)	(13,935)	(176,338)	–	–	(176,338)
Net underwriting results	3,542	2,182	(1,008)	4,716	–	–	4,716
Investment income	–	–	–	–	1,739	–	1,739
Net foreign exchange loss	–	–	–	–	–	(1,425)	(1,425)
Net investment income	–	–	–	–	1,739	(1,425)	314
Total income/(loss)	3,542	2,182	(1,008)	4,716	1,739	(1,425)	5,030
Operating and administrative expenses	–	–	–	–	–	(3,102)	(3,102)
Depreciation	–	–	–	–	–	(25)	(25)
Income tax expense	–	–	–	–	–	(665)	(665)
Segment results	3,542	2,182	(1,008)	4,716	1,739	(5,217)	1,238

Segment assets and liabilities
Assets and liabilities of the Company are commonly used across the operating segments.

The profit or loss for each segment does not include the allocation of finance costs on Company borrowings or net investment income on Company investments. The results also exclude the allocation of any Company operating expense and depreciation on assets. Assets and liabilities of the Company are commonly used across the operating segments.

The geographical split of gross written premiums based on the location of the customer is as follows:

	2019	2018
	USD ('000)	USD ('000)
Europe	633,112	577,935

17. NET INVESTMENT INCOME

	2019	2018
	USD ('000)	USD ('000)
Investment income	3,117	2,028
Advisory fee	(300)	(289)
Net investment income	2,817	1,739

18. OPERATING AND ADMINISTRATIVE EXPENSES

	2019	2018
	USD ('000)	USD ('000)
Salaries and staff related expenses (i)	1,055	1,071
Professional fees (ii)	895	1,060
Travel expenses	69	98
Board of Directors' remuneration	56	121
Rent	–	48
Regulatory fees	260	154
Legal fees	81	49
Depreciation	55	25
Miscellaneous expenses	465	501
	2,936	3,127

(i) The average number of employees employed by the Company locally during the year excluding Directors was 8 (2018: 7). Part of the salaries and staff related expenses relate to recharges of employee benefits from related parties in relation to services rendered to the Company.

(ii) The professional fees include fees, exclusive of VAT, charged by the Company's auditor for services rendered during the financial years ended December 31, 2019 and 2018 related to the following:

	2019	2018
	USD ('000)	USD ('000)
Statutory audit	100	50
Other assurance services	35	39
	135	89

Operating and administrative expenses were allocated as follows:

	2019	2018
	USD ('000)	USD ('000)
Non-technical account	2,936	3,127
	2,936	3,127

19. RELATED PARTIES

a) Transactions with related parties

These represent transaction with related parties. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and Directors of the Company and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Company's management and are negotiated under normal commercial terms.

Significant related party transactions were:

	2019	2018
	USD ('000)	USD ('000)
Gross Written Premium	271,063	285,061
Gross Claims Paid	135,074	112,347
Gross Commission Expense	114,227	101,923
Outward Reinsurance Premium	532,367	508,557
Reinsurance share of Claims Paid	236,168	208,026
Gross Commission Income	213,492	201,745

Outstanding related party balances as per Notes 6, 7, 10 and 12 as at reporting date are unsecured and interest free.

b) Compensation of key management personnel

The Board of Directors' remuneration amounted to USD 0.06 million (2018: USD 0.12 million).

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company in the normal course of its business derives its revenue mainly from assuming and managing insurance and investments risks for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenues to reduce earnings volatility and increase shareholders' return. The Company is mainly exposed to the following risks:

- Insurance risk,
- Credit risk,
- Liquidity risk,
- Market risk, and
- Operational risk

The Company has designed, established and maintains a robust risk management framework which supports the implementation of the strategic objectives and business plan. The framework provides a basis for understanding the risks the Company is exposed to and its ability to identity, assess, control and mitigate them.

a) Governance framework

The Company has established an effective corporate governance framework that is appropriate to its size, nature, complexity and risk profile. The governance framework allows for the prudent management of the Company's activities to ensure the protection of policyholders and compliance with regulatory requirements.

Risk appetite is set by the Board and takes into account responsibilities to policyholders, the shareholder and other stakeholders. Management are authorized to operate within defined appetite, subject to various authorities and controls.

b) Capital management framework

The Company's objective is to maintain a healthy capital ratio in order to support the delivery of its business plan and maximise shareholders value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Company fully complied with the externally imposed capital requirements (by the MFSA) during the reported financial year and no changes were made to its capital base, objectives, policies and processes during the year.

c) Risk management framework

The risk management framework considers risks and controls in the context of the overall risk appetite. The frequency and severity of identified risks are assessed along with the mitigating controls and the residual risk exposures are determined.

For the main financial risk areas (insurance, market, credit) additional quantitative techniques are used to manage exposures against the specific risk appetite.

d) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual compensation paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages the insurance risk through the careful selection and implementation of its underwriting strategy and guidelines together with the adequate reinsurance arrangements.

The Company principally issues general insurance contracts which mainly constitute Motor, Property including Business Interruption, Liability, Agriculture (Pet and Equine) and Aviation (including satellite) lines of business.

The concentration of insurance risk exposure is mitigated by careful selection and implementation of the underwriting strategy of the Company. Underwriting limits are in place to enforce risk selection criteria and an exposure management framework limits exposure to peak peril zones within the context of defined risk appetite.

The Company, in the normal course of business, in order to minimize financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under quota share arrangements, treaty, facultative and excess-of-loss reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company has in place strict claim review policies to assess all new and ongoing claims. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimated. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The general insurance claims provisions are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, net profit and equity.

	Change in assumptions	Impact on claim incurred, net of reinsurance	Impact on net profit	Impact on equity
		USD ('000)	USD ('000)	USD ('000)
December 31, 2019				
Incurred claim cost	10%	3,306	(3,306)	–
Incurred claim cost	-10%	(3,306)	3,306	–

	Change in assumptions	Impact on claim incurred, net of reinsurance	Impact on net profit	Impact on equity
		USD ('000)	USD ('000)	USD ('000)
December 31, 2018				
Incurred claim cost	10%	3,076	(3,076)	–
Incurred claim cost	-10%	(3,076)	3,076	–

e) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company has been established and policies and procedures are in place to mitigate the Company's exposure to credit risk:

- Compliance with the receivable management policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.
- For all classes of financial assets held by the Company, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date.
- The Company has credit risk exposure to affiliate reinsurers Qatar Reinsurance Company Limited and Qatar Insurance Company Q.S.P.C., both 'A' rated by S&P Global and AM Best. Exposure to external reinsurers is limited. External reinsurers are subject to an approval process which considers their financial strength and other factors.

Age analysis of financial assets as at the yearend is as follows:

December 31, 2019	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 120 days	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	
Cash and cash equivalents	4,146	–	–	–	–	4,146
Premiums and other receivables	390,025	–	–	–	–	390,025
	394,171	–	–	–	–	394,171

December 31, 2018	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 120 days	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	
Cash and cash equivalents	18,304	–	–	–	–	18,304
Premiums and other receivables	297,701	61	–	7	146	297,915
	316,005	61	–	7	146	316,219

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying the invested assets according to the credit ratings of external rating agencies.

December 31, 2019	AAA	AA	A	BBB and Below	Unrated	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	
Cash and cash equivalents	–	911	47	2	3,186	4,146
Liquidity funds	10,192	–	–	–	–	10,192
Bonds – quoted	–	1,820	41,313	26,814	2,118	72,065

December 31, 2018	AAA	AA	A	BBB and Below	Unrated	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	
Cash and cash equivalents	1,500	16,790	12	2	–	18,304
Bonds – quoted	–	2,086	39,416	18,524	–	60,026

Impaired financial assets

At December 31, 2019 and December 31, 2018, there are nil impaired insurance and other receivables. For assets to be classified as 'past-due and impaired' contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

The Company records all impairment allowances for loans and receivables in a separate impairment allowance account.

f) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

The Company ensures that sufficient liquidity is maintained to meet both immediate and foreseeable cash flow requirements.

We also manage our average duration of assets to be no longer than our average duration of liabilities.

At an operational level liquidity requirements are monitored on a daily, weekly and monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance contract assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurer's share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

December 31, 2019	Up to a year	1 to 5 years	Over 5 years	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Financial assets: Non derivatives				
Financial investments at FVOCI	27,950	45,959	8,348	82,257
Loans and receivables				
Premiums and other receivables	223,170	58,683	–	281,853
Reinsurance contract assets	142,000	262,484	25,817	430,301
Cash and cash equivalents	4,146	–	–	4,146
	397,266	367,126	34,165	798,557
Financial liabilities: Non derivatives				
Reinsurance and other payables	191,338	51,348	–	242,686
Due to related parties	2,195	–	–	2,195
Income tax payable	1,976	–	–	1,976
Insurance contract liabilities	155,454	287,354	28,263	471,071
	350,963	338,702	28,263	717,928

December 31, 2018	Up to a year	1 to 5 years	Over 5 years	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Financial assets: Non derivatives				
Financial investments at FVOCI	15,907	29,842	14,277	60,026
Loans and receivables				
Premiums and other receivables	205,890	–	–	205,890
Reinsurance contract assets	333,903	–	–	333,903
Cash and cash equivalents	18,304	–	–	18,304
	574,004	29,842	14,277	618,123
Financial liabilities: Non derivatives				
Reinsurance and other payables	183,441	–	–	183,441
Due to related parties	1,241	–	–	1,241
Income tax payable	713	–	–	713
Insurance contract liabilities	364,551	–	–	364,551
	549,946	–	–	549,946

g) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and bond markets. In addition, the Company actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

i. Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates.

The table below summarizes the Company's exposure to foreign currency exchange rate risk at reporting date by categorizing assets and liabilities by major currencies.

December 31, 2019	EUR	GBP	Others*	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Cash and cash equivalents	407	2,591	1,148	4,146
Premiums and other receivables	22,072	256,611	3,170	281,853
Reinsurance contract assets	29,308	385,308	15,685	430,301
Investments	–	9,139	73,118	82,257
Total Assets	51,787	653,649	93,121	798,557
Insurance contract liabilities	32,661	421,645	16,765	471,071
Provisions, reinsurance and other payables	19,005	220,952	2,729	242,686
Due to related party	–	–	2,195	2,195
Income tax payable	–	–	1,976	1,976
Total Liabilities	51,666	642,597	23,665	717,928

December 31, 2018	EUR	GBP	Others*	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Cash and cash equivalents	811	15,410	2,083	18,304
Premiums and other receivables	9,714	190,576	5,600	205,890
Reinsurance contract assets	14,546	308,877	10,480	333,903
Investments	–	–	60,026	60,026
Total Assets	25,071	514,863	78,189	618,123
Insurance contract liabilities	16,431	336,618	11,502	364,551
Provisions, reinsurance and other payables	13,494	158,810	11,137	183,441
Due to related party	334	655	252	1,241
Income tax payable	713	–	–	713
Total Liabilities	30,972	496,083	22,891	549,946

* Others mainly represents exposure in reporting currency in United States Dollars.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

Currency	Changes in variables	Impact on profit or loss 2019	2018
		USD ('000)	USD ('000)
EUR	+10%	13	92
GBP	+10%	1,454	(461)
		1,467	(369)
EUR	-10%	(13)	(92)
GBP	-10%	(1,454)	461
		(1,467)	369

The method used for deriving sensitivity information and significant variables did not change from the previous period. A 10% change of GBP or EUR exchange rates against USD would also have significant impact on the reinsurance recoverable.

ii. Interest rate risk

Interest rate risk is the risk that the value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest-bearing securities.

The Company's interest risk policy requires managing interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest bearing financial liabilities.

The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

Currency	Changes in variables	2019 Impact on profit or loss	2019 Impact on equity	2018 Impact on profit or loss	2018 Impact on equity
		USD ('000)	USD ('000)	USD ('000)	USD ('000)
USD	+50 basis points	–	(1,016)	–	(610)
USD	-50 basis points	–	1,016	–	610

The Company's interest rate risk based on contractual arrangements is as follows:

December 31, 2019	Up to a year	1 to 5 years	Over 5 years	Total	Effective interest rate (%)
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	
Cash and cash equivalents	4,146	–	–	4,146	0.83%
Investments	27,950	45,959	8,348	82,257	3.61%
	32,096	45,959	8,348	86,403	

December 31, 2018	Up to a year	1 to 5 years	Over 5 years	Total	Effective interest rate (%)
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	
Cash and cash equivalents	18,304	–	–	18,304	0.01%
Investments	15,907	29,842	14,277	60,026	3.19%
	34,211	29,842	14,277	78,330	

iii. Price risk

Price risk is the risk that the fair value of or income from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company doesn't hold any financial instrument which gives rise to price risk as defined above.

h) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

The Company has established internal control framework (including policies and procedures) which ensures segregation of duties, access controls, authorization and reconciliation procedures, staff training and assessment processes etc. There are effective internal control functions in place and the internal auditors play a key role in the independent assessment of the overall control environment.

Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

i. Classifications and fair values

The following table compares the fair values of the assets and liabilities to their carrying values:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Cash and cash equivalents	4,146	4,146	18,304	18,304
Loans and receivables				
Premiums and other receivables	390,025	390,025	297,915	297,915
Reinsurance contract assets	430,301	430,301	333,903	333,903
Financial investments at FVOCI				
Bonds – quoted	70,065	70,065	60,026	60,026
Liquidity funds	10,192	10,192	–	–
Property and equipment	65	65	63	63
	904,794	904,794	710,211	710,211
Reinsurance and other payables	341,784	341,784	266,391	266,391
Due to related parties	2,195	2,195	1,241	1,241
Income tax payable	1,976	1,976	713	713
Insurance contract liabilities	471,071	471,071	364,551	364,551
	817,026	817,026	632,896	632,896

21. DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

December 31, 2019	Level 1	Level 2	Level 3	Total fair value
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Financial investments at FVOCI				
Bonds – quoted	72,065	–	–	72,065
Liquidity funds	10,192	–	–	10,192
	82,257	–	–	82,257

December 31, 2018	Level 1	Level 2	Level 3	Total fair value
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Financial investments at FVOCI				
Bonds – quoted	60,026	–	–	60,026

22. DIVIDENDS

The Directors proposed that a net dividend of USD 0.10866 per ordinary share to be paid to ordinary shareholders. This dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and has not been included as liability in these financial statements. The total proposed dividend to be paid is USD 2.4 million.

23. EVENTS AFTER THE REPORTING PERIOD

The Coronavirus pandemic ("COVID-19") has been identified as a non-adjusting post balance sheet event and a group wide assessment has been undertaken by the Company's immediate parent, Qatar Reinsurance Company Limited ("Qatar Re"), to evaluate the impact on the Group of which the Company forms part of.

The measures taken by various countries to curb COVID-19, including social distancing, have disrupted the distribution channels of the Company. Moreover, the impact of current economic uncertainties on individuals and businesses may have a downward impact on the Company's written and earned premium for the financial year ending December 31, 2020.

Given the constantly evolving situation brought about by this pandemic in the markets where the Company's main insurance risk is situated, it is difficult to estimate the financial impact on the claims to be incurred in 2020. The Company expects that the claims incurred on certain classes of business, especially potential business interruption claims, will increase as a direct result of this pandemic. However, at the same time, the Company does expect a decrease in claims on other classes of business, such as motor business, due to the implementation of national lockdowns across the markets where the Company writes its risk. All of this has to be seen in the light of the risk ceded by the Company, and thus it is expected that in the event of a potential deterioration of the gross incurred loss ratios for 2020, the impact on the underwriting profit will be mitigated by the ceded reinsurance programmes the Company has in place.

A comparison between the fair value of the investment portfolio as at mid-April 2020 and the fair value of the investment portfolio as at year end resulted in a 4% decline. When considering the investment portfolio held by the Company, the volatility in the financial markets is not expected to have a significant impact on the Company's financial position. Furthermore, an analysis was carried out on the credit rating of the Company's main counterparties, and no significant downgrades were noted since December 31, 2019.

In view of the uncertainties mentioned above and the dependability of the Company on its immediate parent and main reinsurer, the Company's immediate parent has confirmed in writing its commitment to continue providing financial support to the Company for at least a period of 12 months from the date of approval of these Company's financial statements, so as to enable the Company to meet its liabilities as and when they fall due and to adequately meet the regulatory solvency capital requirement.

The written commitment provided by Qatar Re, in its capacity as the Company's immediate parent, to continue providing financial support to the Company was made after it had carried an analysis on the impact on the solvency capital requirements of the Group of which the Company forms part of. Such analysis was based on several scenarios with different stress factors, and the results from the dry run of such scenarios indicate that Qatar Re should be able to meet its capital requirements from a Group perspective.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QIC EUROPE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of QIC Europe Limited (the "Company") set on pages 7 to 48, which comprise the Statement of Financial Position as at 31 December 2019, and the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act"), and the Insurance Business Act, Cap. 403 of the Laws of Malta (the "Insurance Business Act").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the Companies Act. Our responsibilities under those standards and under the Companies Act are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 23 to the financial statements, which describes the effect of COVID-19 on the Company's business. Our opinion is not modified in respect of this matter.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Estimation of claims outstanding and incurred but not reported, and Liability Adequacy Test

The Company's technical provisions for claims outstanding and incurred but not yet reported on the insurance contracts underwritten, as described and disclosed in Notes 3(e)(vi), 4 and 7 represent 42% of the total liabilities as of 31 December 2019.

Provision for claims reported but not settled recorded by the Company comprises the total value of the individual outstanding claims as communicated by the coverholders. This is calculated on a case-by-case basis and re-assessed at the various stages of the claims processing cycle, being revised on the basis of changes in the circumstances pertaining to each claim as communicated through information and reports issued from independent loss adjusters to the coverholders and ultimately to the Company.

The provision for reported claims is supplemented by an estimate of liabilities that have arisen from events that have occurred up the statement of financial position date but not yet reported to the Company. The level of provisioning is based on the estimation by the Company's actuary of potential claims the Company ultimately expects to incur.

The measurement of the expected ultimate cost of claims involves significant judgment, given that the ultimate liability may vary as a result of subsequent information and events. Due to the significance of the balances and estimation involved in the assessment of these provisions, we have considered the valuation and adequacy of the expected ultimate cost of claims as a key audit matter.

Our audit procedures over the provision for claims reported by the insured included amongst others:

- Reconciling the total outstanding claims as at year end, as derived from the Company's technical insurance system to the provision for claims outstanding as disclosed in Note 7;
- For a sample selected, tracing the outstanding loss reserve as recorded in the Company's technical insurance system to the latest claims bordereaux received by the coverholders by year end;
- For a sample of coverholders' business performing our own analysis on open claim run-offs on a coverholder basis for all underwriting years from inception to date and analysing any resulting negative run-offs thereon.

Our audit procedures over the provision for claims incurred but not reported ('IBNR') included the following:

- Assessing the Company's methodology for estimating technical provisions by line of business by enquiring with the process owners, inspecting procedural documents, the Company's actuarial review of reserves prepared by the Company's Actuary and the Reserving Policy approved by the Board of Directors and assessing the reasonableness of the underpinning assumptions;
- Performing a re-calculation of the IBNR for all coverholders business across all underwriting years by applying the Company's derived loss ratios;
- Testing the adequacy of the Company's IBNR by involving our actuarial specialist team to assist us in evaluating the appropriateness of the claims incurred ratio applied by the Company by comparing, amongst other benchmarking the loss and development pattern ratios applied by the Company for material classes of insurance business to industry wide data where the Company's insurance risk is being written and deriving a range of best estimates to establish whether the Company's reserves lie within such range;
- Evaluating the requirements for an unexpired risk reserve by analysing the effect of the combined loss ratio encompassing the claims incurred loss ratio and the commission ratio on premiums written but expected to be earned subsequent to the financial year ended 31 December 2019.

We have also assessed the relevance of disclosures relating to the Company's expected ultimate cost of claims presented in Notes 7 and 20(d) to the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a materialmisstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act and the Insurance Business Act and for such internal control as the Directors determine 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, the Directors are responsible for assessing the Company'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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 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 in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of the Directors' 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 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 Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Matters on which we are required to report by the Companies Act

Directors' Report

We are required to express an opinion as to whether the Directors' Report has been prepared in accordance with the applicable legal requirements. In our opinion the Directors' Report has been prepared in accordance with the Companies Act.

In addition, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' Report. We have not nothing to report in this regard.

Other requirements

We also have responsibilities under the Companies Act to report if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.

Appointment

We were appointed as the statutory auditor by the Directors of the Company on 19 September 2017. This is the third year of our appointment.

Consistency with the additional report to the audit committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report

to the audit committee of the Company, which was issued on the same date as this report.

Non-audit services

No prohibited non-audit services referred to in Article 18A(1) of the Accountancy Profession Act, Cap. 281 of the Laws of Malta were provided by us to the Company and we remain independent of the Company as described in the Basis for opinion section of our report.

No other services besides statutory audit services and services disclosed in the annual report and in the financial statements, were provided by us to the Company and its controlled undertakings.

The partner in charge of the audit resulting in this independent auditor's report is Christopher Portelli for and on behalf of

Ernst & Young Malta Limited Certified Public Accountants
1 June 2020

QEL

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