Company Registration No. C67694

QIC EUROPE LIMITED

ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 December 2021

QIC EUROPE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2021

CONTENTS

The Directors present their annual report and the audited financial statements of QIC Europe Limited (the "Company") for the year ended 31 December 2021.

Principal activities

The principal activity of the Company consists of the business of general insurance. The Company was authorised on 21 November 2014 by the 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 Classes 1 to Classes 18.

Review of the business

During the year under review, Company reported a net profit after tax of USD1.68 million compared to USD 4.8 million in 2020. The decrease in profit is majorly attributable to increase in administrative expenses & net FX loss, reduced investment income which is offset to an extent by improved underwriting income when compared with previous year.

Premiums written by the Company reached USD582.4 million (2020: USD594.6 million), thereby registering a small 2% decrease. The decrease is primarily attributable to non-renewal of a major Motor contract, which is mostly offset by new business written in Property and Motor classes.

The technical result for general business in current year stands at USD11.9 million compared to USD8.9 million in 2020. The increase in underwriting income, despite a 2% decrease in gross written premiums, is attributable to small increase in net retention at QEL compared to PY though this is offset to an extent by adverse claims experience during the year.

The Company's net investment income amounted to USD2.0 million (2020: USD2.8 million). The main source remains interest income derived from investment in fixed income instruments (bonds). The fair value loss of USD1 million (2020 gain: USD 0.5 million) during the year was driven by the revaluation of bonds as of 31 December 2021.

The share capital and the capital contribution stands at USD 62.0 million (2020: USD62.0 million). No new capital contribution was made by Qatar Reinsurance Company Limited (the "immediate parent") during 2021 (2020: Nil). The shareholder's equity increased to USD72.7 million (2020: USD72.0 million) majorly due to 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 31 December 2021 is shown in the statement of comprehensive income on page 8. The total comprehensive income for the year amounted to USD0.69 million (2020: USD5.3 million).

The Directors are proposing a final dividend distribution of USD1.68 million for the year to be paid on ordinary shares, which distribution will be approved by the shareholders in the forthcoming Annual General Meeting.

Future developments

The Company currently writes insurance and reinsurance business throughout the European Economic Area (the "EEA"), with a large portion of its book of business written in the United Kingdom (the "UK"). The UK exited the European Union (the "EU") on 31 January 2020. After 31 December 2020 the Company will no longer be able to rely on EU passporting rights to operate in the UK and will be required to obtain a Part 4A permission from the Prudential Regulation Authority (the "PRA") and the Financial Conduct Authority (the "FCA") to continue operating in the UK.

As one would expect a large numbers of firms will be applying for this permission and to avoid any disruption to business, the UK regulator has implemented a Temporary Permissions Regime ("TPR"), which will come into effect on 1 January 2021 and will allow EEA firms currently operating in the UK (such as the Company) to temporarily continue operating and servicing UK contracts with minimal disruption while they apply for and/or wait for the regulators to evaluate and approve their applications for a third country branch. The TPR will be in place for a maximum of three years, i.e. up to end of 2023.

During 2021, the Company established a project group, which was tasked with exploring options available with regards to its BREXIT planning strategy. After exploring feasibility of various options the project group has proposed setting up of a new UK Entity through which all UK domiciled business of the Company will be underwritten. In line with this proposal an application has been prepared and submitted to the PRA at end of December 2021 to establish a new UK Entity. This will ensure that Company goes through this transition in a smooth manner and continues to operate as a going concern in near future.

After considering the impact of COVID-19 for the next 12 months and the effect of BREXIT on the Company, these financial statements have been prepared on a going concern basis, which assumes that the Company will continue in existence for the foreseeable future. Moreover, 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.

Directors

The Directors who served during the period were:

George Andrew Prescott (Chairman)
Alok Sahi
Faraz Khalid
James Bonello
James Michael Linsao
Pantelis Koulovasilopoulos
Damien Kelly (Appointed on 17 March 2021 and Resigned on 28 May 2021)
Marios Georgiou (Appointed on 26 Nov 2021)

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 a 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 07 April 2022 by:

Pantelis Koulovasilopoulos (Apr 7, 2022 14:26 GMT+1)

Pantelis Koulovasilopoulos
Director

Alok Sahi
Director

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 07 April 2022 by:

Pantelis Koulovasilopoulos (Apr 7, 2022 14:25 GMT+1)

Pantelis Koulovasilopoulos
Director

Alok Sahi
Director

QIC EUROPE LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31 December 2021 USD ('000)	31 December 2020 USD ('000)
ASSETS			
Cash and cash equivalents	5	**23,569**	6,880
Premiums and other receivables	6	**383,065**	427,803
Reinsurance contract assets	7	**887,145**	900,564
Investments	8	**74,001**	94,116
Property and equipment	9	**211**	321
TOTAL ASSETS		**1,367,991**	1,429,684
LIABILITIES AND EQUITY			
LIABILITIES			
Provisions, reinsurance and other payables	10	**318,973**	369,175
Deferred tax liability	13	**198**	730
Income tax payable	10	**3,515**	3,905
Due to related parties	12	**2,445**	5,839
Insurance contract liabilities	7	**970,133**	978,001
TOTAL LIABILITIES		**1,295,264**	1,357,650
EQUITY			
Share capital	14	**22,500**	22,500
Capital contribution	15	**39,458**	39,458
Fair value reserve		**367**	1,356
Retained earnings		**10,402**	8,720
TOTAL EQUITY		**72,727**	72,034
TOTAL LIABILITIES AND EQUITY		**1,367,991**	1,429,684

The accounting policies and explanatory notes on pages 11 to 53 form an integral part of the financial statements.

The financial statements on pages 5 to 53 were approved by the Board of Directors on 07 April 2022 and signed on its behalf by the following signatories:

Pantelis Koulovasilopoulos (Apr 7, 2022 14:26 GMT+1)

Pantelis Koulovasilopoulos
Director

Alok Sahi
Director

	Notes	**31 December 2021 USD ('000)**	31 December 2020 USD ('000)
Earned premiums, net of reinsurance			
Gross written premiums	16	**582,470**	594,614
Outward reinsurance premiums	16	**(521,267)**	(538,633)
Net premiums written		**61,203**	55,981
Change in provision for unearned premiums, gross	7	**(2,075)**	6,030
Change in provision for unearned premiums, reinsurers' share	7	**(1,175)**	(9,777)
Change in net provision for unearned premiums	16	**(3,250)**	(3,747)
Earned premiums, net of reinsurance		**57,953**	52,234
Commission income	16	**172,386**	169,417
Allocated investment return transferred from non-technical account		**531**	815
Total technical income		**230,870**	222,466
Claims incurred, net of reinsurance			
Claims paid			
- Gross amount	16	**(354,073)**	(322,893)
- Reinsurers' share	16	**320,009**	295,215
		(34,064)	(27,678)
Change in the provision for claims			
- Gross amount	7	**(8,293)**	(220,063)
- Reinsurers' share	7	**5,537**	204,274
	16	**(2,756)**	(15,789)
Claims incurred, net of reinsurance		**(36,820)**	(43,467)
Commission expenses	16	**(182,128)**	(170,067)
Total technical expenses		**(218,948)**	(213,534)
Balance on the technical account for general business (page 7)		11,922	8,932

The accounting policies and explanatory notes on pages 11 to 53 form an integral part of the financial statements.

For the year ended 31 December 2021

	Notes	**31 December 2021**	31 December 2020
		USD ('000)	USD ('000)
Balance on the technical account for general business (page 6)		**11,922**	8,932
Net investment income	17	**2,086**	2,840
Allocated investment return transferred to the general business technical accounts		**(531)**	(815)
Net foreign exchange gain		**(1,221)**	2,422
Operating and administrative expenses	18	**(9,652)**	(6,021)
Profit before tax for the year		**2,604**	7,358
Income tax	11	**(922)**	(2,572)
Net profit for the year		**1,682**	4,786

The accounting policies and explanatory notes on pages 11 to 53 form an integral part of the financial statements.

QIC EUROPE LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	31 December 2021	31 December 2020
	USD ('000)	USD ('000)
Net profit after tax for the year	**1,682**	4,786
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	**(989)**	497
Total comprehensive income for the year	**693**	5,283

The accounting policies and explanatory notes on pages 11 to 53 form an integral part of the financial statements.

QIC EUROPE LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital USD ('000)	Capital contribution USD ('000)	Fair value reserve USD ('000)	Retained earnings USD ('000)	Total equity USD ('000)
Balance as at 1 January 2020	22,500	39,458	859	3,934	66,751
Profit for the year	-	-	-	4,786	4,786
Net changes in fair value of financial investments at fair value through other comprehensive income (FVOCI)	-	-	497	-	497
Total comprehensive income for the year	-	-	497	4,786	5,283
Transactions with owners					
Capital contribution (Note 15)	-	-	-	-	-
Balance as at 31 December 2020	**22,500**	**39,458**	**1,356**	**8,720**	**72,034**
Profit for the year	-	-	-	1,682	1,682
Net changes in fair value of financial investments at fair value through other comprehensive income (FVOCI)	-	-	(989)	-	(989)
Total comprehensive income for the year	**-**	**-**	**(989)**	**1,682**	**693**
Balance as at 31 December 2021	**22,500**	**39,458**	**367**	**10,402**	**72,727**

The accounting policies and explanatory notes on pages 11 to 53 form an integral part of the financial statements.

	Notes	**31 December 2021**	31 December 2020
		USD ('000)	USD ('000)
OPERATING ACTIVITIES			
Profit before tax for the year		**2,604**	7,358
Adjustments for:			
Depreciation	9	**135**	105
Expected credit loss	8	**84**	74
Investment income		**(1,976)**	(3,207)
		847	4,330
Movements in working capital			
Premiums and other receivables		**44,739**	(37,778)
Insurance contract liabilities, net		**5,551**	14,112
Provisions, insurance and other payables		**(54,378)**	27,391
Due to related parties		**250**	3,644
Cash used in operations		**(2,991)**	11,699
Income tax paid		**(1,313)**	(643)
Net cash used in operating activities		**(4,304)**	11,056
INVESTING ACTIVITIES			
Acquisition of investments	8	**(85,968)**	(104,190)
Proceeds from disposal of investments	8	**105,010**	93,023
Investment income received		**1,976**	3,206
Acquisition of property and equipment	9	**(25)**	(361)
Net cash used in investing activities		**20,993**	(8,322)
Net increase in cash and cash equivalents		**16,689**	2,734
Cash and cash equivalents at the beginning of the year	5	**6,880**	4,146
Cash and cash equivalents at the end of the year	5	**23,569**	6,880

The accounting policies and explanatory notes on pages 11 to 53 form an integral part of the financial statements.

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 21 November 2014 by the 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 Pendergardens Business Centre, Level 1, Office 11/12, St. Andrew's Road, St. Julians, 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 the United Kingdom (the "UK") and Italy. During the year Company filed application for closure of Italy branch which has been approved by regulator subsequent to 2021 year end.

2.1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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 financial assets at fair value through other comprehensive income and assets held for sale that are measured at fair value and at fair value less costs to sell, respectively. 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.

Expected impact of the COVID-19 pandemic

The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic.

The Company is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.

2.1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION - continued

Basis of preparation - continued

Expected impact of the COVID-19 pandemic - continued

The Company may be impacted by any policies, practices, laws or regulations introduced by governments which require or compel insurers to defer insurance premiums, pay claims in relation to COVID-19 losses which would not otherwise be payable under the relevant policy or in the normal course of business. The extent of the impact on our business and results of operations is largely dependent on the evolving future developments and the actions taken globally to address its impact. Any potential impact will be partially mitigated by the high level of reinsurance purchased by the Company. The Company has incurred claims of USD 0.4 million (2020: USD 5.5 million), net of reinsurance, for the year ended 31 December 2021.

The Company's investment portfolio is exposed to the current market volatility. Investment portfolios have certain exposures in economies that are relatively dependent on the price of crude oil.

The Company's capital, liquidity and funding positions remain robust and the Company remains operationally strong in the face of unprecedented global uncertainty presented by the COVID-19 pandemic. The Company expects this uncertainty and consequent capital contraction to influence rates across direct insurance markets.

BREXIT

The Company currently writes insurance and reinsurance business throughout the European Economic Area (the "EEA"), with a large portion of its book of business written in the United Kingdom (the "UK"). The UK exited the European Union (the "EU") on 31 January 2020. After 31 December 2020 the Company will no longer be able to rely on EU passporting rights to operate in the UK and will be required to obtain a Part 4A permission from the Prudential Regulation Authority (the "PRA") and the Financial Conduct Authority (the "FCA") to continue operating in the UK.

As one would expect a large numbers of firms will be applying for this permission and to avoid any disruption to business, the UK regulator has implemented a Temporary Permissions Regime ("TPR"), which will come into effect on 1 January 2021 and will allow EEA firms currently operating in the UK (such as the Company) to temporarily continue operating and servicing UK contracts with minimal disruption while they apply for and/or wait for the regulators to evaluate and approve their applications for a third country branch. The TPR will be in place for a maximum of three years, i.e. up to end of 2023.

During 2021, the Company established a project group, which was tasked with exploring options available with regards to its BREXIT planning strategy. After exploring feasibility of various options the project group has proposed setting up of a new UK Entity through which all UK domiciled business of the Company will be underwritten. In line with this proposal an application has been prepared and submitted to the PRA at end of December 2021 to establish a new UK Entity. This will ensure that Company goes through this transition in a smooth manner and continues to operate as a going concern in near future.

2.1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION - continued

Basis of preparation - continued

BREXIT - continued

Going concern

After considering the impact of COVID-19 for the next 12 months and the effect of BREXIT on the Company, these financial statements have been prepared on a going concern basis, which assumes that the Company will continue in existence for the foreseeable future. Moreover, 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 31 December 2021

- Amendments to IFRS 16 Leases: Covid-19- Related Rent Concessions beyond 30 June 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2;
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9; and

In 2021, the Company adopted new standards, interpretations and amendments to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

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

Certain new standards, interpretations and amendments to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2022. 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 IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (effective for financial years beginning on or after 1 January 2022).
- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for financial years beginning on or after 1 January 2023)

2.2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS – continued

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

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for financial years beginning on or after 1 January 2023)

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 IAS 1 Presentation of Financial Statements: Classification of Assets as Current or Non-Current and Classification of Liabiliies as Current or Non-Current (effective for financial years beginning on or after 1 January 2023);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for financial years beginning on or after 1 January 2023); and
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for financial years beginning on or after 1 January 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.

In order to further evaluate the effects of IFRS 17, an IFRS 17 Group Implementation Team has been set up by Ultimate Parent company sponsored by Group Chief Financial Officer, comprising the senior management from Finance, Risk, Operations and Investment Operations.

Implementation team has successfully completed the first phase (Gap analysis) and is currently working on detailed operational and financial impact.

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 'solely payments of principal and interests' ("SPPI") test sections.

Financial instruments are initially recognised on the trade date measured at their fair value, except for financial assets and financial liabilities recorded at fair value through profit or loss ("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
- Fair value through other comprehensive income ("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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

b) Financial instruments - continued

Measurement categories - continued

Debt instruments measured at amortised cost - continued

i) Business model assessment - continued

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 is 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 (for example, 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 SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

b) Financial instruments - continued

Measurement categories - continued

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 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. Expected credit losses (“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 the statement of 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

b) Financial instruments - continued

Subsequent measurement - continued

Equity instruments at FVOCI

Gains and losses on these equity instruments are never recycled to profit or loss. 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 can 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

b) Financial instruments - continued

Derecognition - continued

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 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 categorises 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

c) Impairment of financial assets - continued

Overview - continued

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

c) Impairment of financial assets - continued

The calculation of ECLs - continued

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.

Equity instruments are not subject to impairment under IFRS 9.

d) Leases

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

d) Leases - continued

Company as a lessee - continued

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 (for example, 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

d) Leases - continued

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 business 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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

e) Insurance operations - continued

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

e) Insurance operations - continued

vi) Insurance contract liabilities - continued

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

f) General - continued

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.

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 recognised in the statement of profit or loss.

v) Provisions

The Company recognises 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of preparation - continued

f) General - continued

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of preparation - continued

f) General - continued

x) Other assets - Assets held for sale

The Company classifies assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets classified as held for sale are presented as part of Premium and other receivables in the statement of financial position.

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.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

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 31 December 2021, the estimate for net claims reported and not settled and net claims incurred but not reported to USD 53 million (2020: USD51 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 losses 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 that is not covered by the guarantee provided by the immediate parent of the Company as disclosed in Note 6, 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 31 December 2021, the net carrying values of premiums receivables amounted to USD 227 million (2020: USD299 million).

5. CASH AND CASH EQUIVALENTS

	2021	2020
	USD (‘000)	USD (‘000)
Bank balances	**23,569**	6,880

6. PREMIUMS AND OTHER RECEIVABLES

	2021	2020
	USD (‘000)	USD (‘000)
Premiums receivables *(i)*		
Due from policyholders and cover holders *(ii)*	**226,772**	298,712
Other receivables *(i)*		
Deferred commissions	**109,150**	102,858
Claim related deposits	**47,136**	25,708
Prepayments and advances	**7**	69
Other assets *(iii)*	**-**	456
	156,293	129,091
	383,065	427,803

(i) All premiums and other receivables are current in nature given that the immediate parent of the Company has provided a continuous guarantee for the due and punctual payment of all amounts payable by the cover holders which gather the monies from the policyholders on behalf of the Company. Any amounts that become due and payable but remain unpaid to the Company will become due and payable by the immediate parent of the Company in its capacity as the guarantor.

(ii) This includes an amount of USD 31 million (2020: USD 76 million) which is due from a related party company.

(iii) Last year, the Company acquired by way of salvage an Airbus A330-343 aircraft bearing manufacturer’s serial number 1427. The aircraft was acquired pursuant to settlement of a valid claim on residual value insurance policy issued by the Company. On the statement of financial position, this asset was recorded under Premium and other receivables. The value at which the asset was recorded is the fair value that was determined on the basis of letters of intent received by the Company from interested buyers net of legal and other costs and was reported at USD0.5 million, net of reinsurer’s share. During the year the asset had been sold.

7. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2021	2020
	USD ('000)	USD ('000)
Gross insurance contract liabilities		
Claims reported and not settled	**404,045**	383,545
Claims incurred but not reported	**277,145**	307,589
Unearned premiums	**288,943**	286,867
	970,133	978,001
Reinsurer's share of insurance contract liabilities		
Claims reported and not settled	**369,582**	353,299
Claims incurred but not reported	**258,154**	286,681
Unearned premiums	**259,409**	260,584
	887,145	900,564
Net insurance contract liabilities		
Claims reported and not settled	**34,463**	30,246
Claims incurred but not reported	**18,991**	20,908
Unearned premiums	**29,534**	26,283
	82,988	77,437

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

	Year ended 2021			Year ended 2020		
	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,	**691,135**	**(639,980)**	**51,155**	471,071	(430,301)	40,770
Claims incurred	**362,366**	**325,546**	**36,820**	542,956	(499,489)	43,467
Claims paid/recovered	**(354,073)**	**320,009**	**(34,064)**	(322,893)	295,215	(27,678)
Retrospective reinsurance *(i)*	**-**	**-**	**-**	-	(5,405)	(5,405)
Other Adjustment (ii)	**(18,237)**	**17,781**	**(456)**	-	-	-
As at December 31,	**681,191**	**(627,736)**	**53,455**	691,134	(639,980)	51,154

(i) On 27 January 2020, the Company purchased further internal reinsurance from a related party which agreed cut-off date was 31 December 2018.

(ii) This amount reflects adjustment relating to sale of salvage asset during the year. Please refer to note 6 (iii) above for detailed explanations.

7. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS - continued

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

	Year ended 2021			Year ended 2020		
	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,	**286,867**	**(260,584)**	**26,283**	292,897	(270,342)	22,555
Premiums written/ceded	**582,470**	**(521,267)**	**61,203**	594,614	(538,633)	55,981
Premiums earned	**(580,395)**	**522,442**	**(57,953)**	(600,644)	548,410	(52,234)
Retrospective reinsurance *(i)*	**-**	**-**	**-**	-	(19)	(19)
As at December 31,	**288,942**	**(259,409)**	**29,533**	286,867	(260,584)	26,283

(i) On 27 January 2020, the Company purchased further internal reinsurance from a related party which agreed cut-off date was 31 December 2018.

8. INVESTMENTS

	2021	2020
	USD ('000)	USD ('000)
Financial investments at FVOCI		
Bonds – quoted	**60,447**	75,866
Liquidity funds	**13,554**	18,250
	74,001	94,116

Movement of FVOCI investments is as follows:

	2021	2020
	USD ('000)	USD ('000)
As at 1 January	**94,116**	82,257
Additions	**85,968**	104,190
Disposals	**(105,010)**	(93,023)
ECL provision	**(84)**	(74)
Fair value movement	**(989)**	766
FVOCI investments as at 31 December	**74,001**	94,116

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 31 December 2020	386	57	86	529
Additions	25	-	-	25
As at 31 December 2021	**411**	**57**	**86**	**554**
Accumulated depreciation				
As at 31 December 2020	67	57	84	208
Charge during the year	133	-	2	135
As at 31 December 2021	**200**	**57**	**86**	**343**
Net book value				
As at 31 December 2020	319	-	2	321
As at 31 December 2021	**211**	**-**	**-**	**211**

10. PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2021	2020
	USD ('000)	USD ('000)
Deferred commissions	**97,262**	92,583
Due to reinsurance companies *(i) & (ii)*	**204,785**	262,920
Insurance premiums tax payable	**15,628**	12,707
Accrued expenses	**1,298**	965
	318,973	369,175
Current income tax payable	**3,515**	3,905

(i) All payables are current in nature.

(ii) This balance includes balances with the immediate and ultimate parents of the Company amounting to USD 161 million (2020: USD227 million).

11. INCOME TAX

	2021	2020
	USD ('000)	USD ('000)
Current tax		
Income tax expense – Current year	**922**	2,572

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:

	2021	2020
	USD ('000)	USD ('000)
Profit before tax for the year	**2,604**	7,358
Income tax at Malta's statutory income tax rate of 35%	**(911)**	(2,575)
Income tax effect of:		
Other	**(11)**	3
Income tax expense	**922**	2,572

12. DUE TO RELATED PARTIES

This represents the 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

	2021	2020
	USD ('000)	USD ('000)
Deferred tax (asset)/liability at beginning of reporting year	**730**	462
Charged to other comprehensive income:		
Gains/(losses) on FVOCI investments	**(532)**	268
Deferred tax liability/(asset) at end of reporting year	**198**	730

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2020: 35%).

14. SHARE CAPITAL

The issued and fully paid in cash share capital consists of 22,500,000 (2020: 22,500,000) ordinary shares of USD1 each. The authorised share capital comprised of 25,000,000 (2020: 25,000,000) ordinary shares of USD1 each.

15. CAPITAL CONTRIBUTION

During 2018, the ownership of the Company was transferred from Qatar Insurance Company Q.S.P.C. to Qatar Reinsurance Company Limited.

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 USD6.5 million, which is unfettered, does not give rise to a credit in favor of shareholder and is free from any servicing costs or charges.

No further contribution was made in 2020 and during 2021.

16. SEGMENT INFORMATION

For management reporting purposes, the Company is organised 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 the statement of profit or loss in the financial statements. No inter-segment transactions occurred in 2021 and 2020.

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

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

The Other segment includes business recognised by the Company as Credit and Surety, Residual Value Insurance, Structured Finance and Lloyd's Capacity.

16. SEGMENT INFORMATION - continued

Segment statement of profit or loss for the year ended 31 December 2021 and 2020

<u>2021</u>

	Property	Casualty	Other	Total insurance	Invest-ments	Un-allocated (expenses)/ income	Total
	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)
Gross written premiums	211,307	339,805	31,358	582,470	-	-	582,470
Premiums ceded to reinsurers	(191,688)	(301,602)	(27,977)	(521,267)	-	-	(521,267)
Net premiums	19,619	38,203	3,381	61,203	-	-	61,203
Movement in net unearned premiums	(1,276)	(1,703)	(271)	(3,250)	-	-	(3,250)
Net earned premiums	18,343	36,500	3,110	57,953	-	-	57,953
Gross claims paid	(135,588)	(214,321)	(4,164)	(354,073)	-	-	(354,073)
Reinsurance recoveries	121,114	196,916	1,979	320,009	-	-	320,009
Movement in net outstanding claims	(2,102)	(561)	(93)	(2,756)	-	-	(2,756)
Commission income	67,230	96,364	8,792	172,386	-	-	172,386
Commission expense	(69,711)	(103,395)	(9,022)	(182,128)	-	-	(182,128)
					-	-	
Net underwriting results	(714)	11,503	602	11,391	-	-	11,391
Investment income	-	-	-	-	2,086	-	2,086
Net foreign exchange gain	-	-	-	-	-	(1,221)	(1,221)
Net investment income	-	-	-	-	2,086	(1,221)	865
Total income	(714)	11,503	602	11,391	2,086	(1,221)	12,256
Operating and administrative expenses	-	-	-	-	-	(9,519)	(9,519)
Depreciation	-	-	-	-	-	(133)	(133)
Income tax expense	-	-	-	-	-	(922)	(922)
Segment results	(714)	11,503	602	11,391	2,086	(11,795)	1,682

16. SEGMENT INFORMATION - continued

Segment statement of profit or loss for the year ended 31 December 2021 and 2020 - continued

2020

	Property	Casualty	Other	Total insurance	Invest-ments	Un-allocated (expenses)/ income	Total
	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)
Gross written premiums	210,630	346,652	37,332	594,614	-	-	594,614
Premiums ceded to reinsurers	(190,660)	(314,160)	(33,813)	(538,633)	-	-	(538,633)
Net premiums	19,970	32,492	3,519	55,981	-	-	55,981
Movement in net unearned premiums	(1,059)	(2,732)	44	(3,747)	-	-	(3,747)
Net earned premiums	18,911	29,760	3,563	52,234	-	-	52,234
Gross claims paid	(90,591)	(202,746)	(29,556)	(322,893)	-	-	(322,893)
Reinsurance recoveries	80,174	188,377	26,664	295,215	-	-	295,215
Movement in net outstanding claims	(7,316)	(8,311)	(162)	(15,789)	-	-	(15,789)
Commission income	70,912	87,225	11,280	169,417	-	-	169,417
Commission expense	(73,339)	(84,914)	(11,814)	(170,067)	-	-	(170,067)
Net underwriting results	(1,249)	9,391	(25)	8,117	-	-	8,117
Investment income	-	-	-	-	2,840	-	2,840
Net foreign exchange gain	-	-	-	-	-	2,422	2,422
Net investment income	-	-	-	-	2,840	2,422	5,262
Total income/(loss)	(1,249)	9,391	(25)	8,117	2,840	2,422	13,379
Operating and administrative expenses	-	-	-	-	-	(5,916)	(5,916)
Depreciation	-	-	-	-	-	(105)	(105)
Income tax expense	-	-	-	-	-	(2,572)	(2,572)
Segment results	(1,249)	9,391	(25)	8,117	2,840	(6,171)	4,786

16. SEGMENT INFORMATION - continued

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:

	2021	2020
	USD ('000)	USD ('000)
Europe	**582,470**	594,614

17. NET INVESTMENT INCOME

	2021	2020
	USD ('000)	USD ('000)
Investment income	**2,326**	3,150
Advisory fee	**(240)**	(310)
Net investment income	**2,086**	2,840

18. OPERATING AND ADMINISTRATIVE EXPENSES

	2021	2020
	USD ('000)	USD ('000)
Salaries and staff related expenses *(i)*	**5,406**	3,923
Professional fees *(ii)*	**1,898**	895
Travel expenses	**31**	45
Board of Directors' remuneration	**70**	93
Regulatory fees	**-**	10
Legal fees	**7**	9
Depreciation	**133**	105
Miscellaneous expenses	**2,107**	941
	9,652	6,021

(i) The average number of employees employed by the Company locally during the year excluding Directors was Nil (2020: Nil). 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.

18. OPERATING AND ADMINISTRATIVE EXPENSES - continued

(ii) The professional fees include fees, exclusive of VAT, charged by the Company's auditor for services rendered during the financial years ended 31 December 2020 and 2020 related to the following:

	2021	2020
	USD ('000)	USD ('000)
Statutory audit	**100**	100
Other assurance services	**35**	35
	135	135

Operating and administrative expenses were allocated as follows:

	2021	2020
	USD ('000)	USD ('000)
Non-technical account	**9,652**	6,021
Net investment income	**9,652**	6,021

19. RELATED PARTIES

a) Transactions with related parties

These represent transactions 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:

	2021	2020
	USD ('000)	USD ('000)
Gross written premium	**(8,855)**	14,638
Gross claims paid	**54,045**	106,851
Gross commission expense	**(1,790)**	9,722
Outward reinsurance premium	**372,043**	422,239
Reinsurance share of claims paid	**281,544**	287,059
Gross commission income	**149,604**	143,196

19. RELATED PARTIES - continued

a) Transactions with related parties - continued

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 0.07 million (2020: USD0.09 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 identify, 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 Solvency II Directive (2009/138/EC) came into force on 1 January 2016, with new regulatory requirements that dictate the capital required to service the risks the Company is currently undertaking. Solvency II also outlines how the own funds shall be derived by converting the statement of financial position from an IFRS perspective to one where assets and liabilities are measured in line with their underlying economic value.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

b) Capital management framework - continued

The Directors have been actively involved in the implementation of the Solvency II rules, and these are highly embedded in the Company's operations with regular monitoring of the solvency capital requirement (the "SCR") being considered crucial. A capital management policy is in place to describe the principles governing the capital management of the Company. The policy stipulates the process to be followed prior to effecting any decisions impacting the capital position of the Company, and this therefore ensures that the Company secures sufficient levels of capital at all times to be able to service existing and foreseeable risks.

Based on the unaudited SCR calculations as at 31 December 2020, the Company has complied with the capital and solvency requirements as stipulated in the rules issued by the MFSA. Going forward, the Company is also expected to continue meeting the Solvency II requirements, based on the projected SCR calculations included in the 2020 ORSA report. In the case of any solvency gap, the Directors have put in place a capital plan aimed to ensure that the Company will have adequate 'own funds' to meet the required SCR.

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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

d) Insurance risk - continued

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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

d) Insurance risk - continued

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)**
31 December 2021				
Incurred claim cost	**10%**	**3,682**	**(3,682)**	**-**
Incurred claim cost	**-10%**	**(3,682)**	**3,682**	**-**

	Change in assumptions	Impact on claim incurred, net of reinsurance	Impact on net profit	Impact on equity
		USD ('000)	USD ('000)	USD ('000)
31 December 2020				
Incurred claim cost	10%	4,347	(4,347)	-
Incurred claim cost	-10%	(4,347)	4,347	-

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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

e) Credit risk - continued

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

31 December 2021

	< 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)**	**USD ('000)**
Cash and cash equivalents	**23,569**	**-**	**-**	**-**	**-**	**23,569**
Premiums and other receivables	**381,601**	**1,440**	**(35)**	**(6)**	**65**	**383,065**
	405,170	**1,440**	**(35)**	**(6)**	**65**	**406,634**

31 December 2020

	< 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)	USD ('000)
Cash and cash equivalents	6,880	-	-	-	-	6,880
Premiums and other receivables	427,803	-	-	-	-	427,803
	434,683	-	-	-	-	434,683

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

e) Credit risk - continued

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.

31 December 2021

	AAA	**AA**	**A**	**BBB and Below**	**Unrated**	**Total**
	USD ('000)	**USD ('000)**	**USD ('000)**	**USD ('000)**	**USD ('000)**	**USD ('000)**
Cash and cash equivalents	**-**	**3,712**	**32**	**-**	**19,825**	**23,569**
Liquidity funds	**13,554**	**-**	**-**	**-**	**-**	**13,554**
Bonds – quoted	**-**	**3,808**	**36,874**	**19,765**	**-**	**60,447**

31 December 2020

	AAA	AA	A	BBB and Below	Unrated	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Cash and cash equivalents	-	-	2,684	-	4,196	6,880
Liquidity funds	18,250	-	-	-	-	18,250
Bonds – quoted	-	4,092	49,132	22,642	-	75,866

Impaired financial assets

At 31 December 2021 and 31 December 2020, there are no 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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

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 requirement 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.

	Up to a year	1 to 5 years	Over 5 years	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
31 December 2021				
Financial assets: Non derivatives				
Financial investments at FVOCI	**23,397**	**39,781**	**10,823**	**74,001**
Loans and receivables				
Premiums and other receivables	**273,908**	**-**	**-**	**273,908**
Reinsurance contract assets	**627,737**	**-**	**-**	**627,737**
Cash and cash equivalents	**23,569**	**-**	**-**	**23,569**
	948,611	**39,781**	**10,823**	**999,215**
Financial liabilities: Non derivatives				
Reinsurance and other payables	**319,170**	**-**	**-**	**319,170**
Due to related parties	**2,445**	**-**	**-**	**2,445**
Income tax payable	**3,515**	**-**	**-**	**3,515**
Insurance contract liabilities	**681,191**	**-**	**-**	**681,191**
	1,006,321	**-**	**-**	**1,006,321**

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

f) Liquidity risk - continued

Maturity profiles - continued

	Up to a year	1 to 5 years	Over 5 years	Total
	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)
31 December 2020				
Financial assets: Non derivatives				
Financial investments at FVOCI	32,940	55,125	6,051	94,116
Loans and receivables				
Premiums and other receivables	324,945	-	-	324,945
Reinsurance contract assets	230,271	374,532	35,177	639,980
Cash and cash equivalents	6,880	-	-	6,880
	595,036	429,657	41,228	1,065,921
Financial liabilities: Non derivatives				
Reinsurance and other payables	276,592	-	-	276,592
Due to related parties	5,839	-	-	5,839
Income tax payable	3,905	-	-	3,905
Insurance contract liabilities	248,676	404,469	37,989	691,134
	535,012	404,469	37,989	977,470

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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

g) Market risk - continued

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.

31 December 2021

	EUR	GBP	Others*	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Cash and cash equivalents	12,559	21,702	(10,692)	23,569
Premiums and other receivables	17,714	361,390	3,961	383,065
Reinsurance contract assets	65,451	538,736	23,549	627,736
Investments	-	13,546	60,455	74,001
Total assets	95,724	935,374	77,273	1,108,371
Insurance contract liabilities	72,190	597,946	11,055	681,191
Provisions, reinsurance and other payables	5,994	161,3740	(11,198)	156,170
Due to related party	-	-	2,445	2,445
Income tax payable	-	-	3,515	3,515
Total liabilities	78,184	759,320	5,771	843,321

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

g) Market risk - continued

i. Currency risk - continued

31 December 2020

	EUR	GBP	Others*	Total
	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)
Cash and cash equivalents	1,957	1,628	3,295	6,880
Premiums and other receivables	8,218	316,758	(31)	324,945
Reinsurance contract assets	63,992	546,905	29,083	639,980
Investments	-	18,091	76,025	94,116
Total Assets	74,167	883,382	108,372	1,065,921
Insurance contract liabilities	69,107	590,620	31,407	691,134
Provisions, reinsurance and other payables	16,774	256,498	3,320	276,592
Due to related party	-	-	5,839	5,839
Income tax payable	-	-	3,905	3,905
Total Liabilities	85,881	847,118	44,471	977,470

* 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.

		Impact on profit or loss	
	Changes in variables	**2021**	2020
Currency		**USD (‘000)**	USD (‘000)
EUR	+10%	**1,754**	(1,441)
GBP	+10%	**17,605**	4,941
		19,359	3,500
EUR	-10%	**(1,754)**	1,441
GBP	-10%	**(17,605)**	(4,941)
		(19,359)	(3,500)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

g) Market risk - continued

i. Currency risk - continued

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.

		2021		2020	
Currency	**Changes in variables**	**Impact on profit or loss**	**Impact on equity**	Impact on profit or loss	Impact on equity
		(USD '000)	**(USD '000)**	(USD '000)	(USD '000)
USD	+50 basis points	**-**	**(797)**	-	(986)
USD	-50 basis points	**-**	**797**	-	986

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

g) Market risk - continued

ii. Interest rate risk - continued

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

31 December 2021

	Up to 1 year (USD '000)	**1 to 5 years (USD '000)**	**Over 5 years (USD '000)**	**Total (USD '000)**	**Effective interest rate (%)**
Cash and cash equivalents	**23,569**	**-**	**-**	**23,569**	**0.00%**
Investments	**23,397**	**39,781**	**10,823**	**74,001**	**2.40%**
	46,966	**39,781**	**10,823**	**97,570**	

31 December 2020

	Up to 1 year (USD '000)	1 to 5 years (USD '000)	Over 5 years (USD '000)	Total (USD '000)	Effective interest rate (%)
Cash and cash equivalents	6,880	-	-	6,880	0.00%
Investments	32,940	55,125	6,051	94,116	2.89%
	39,820	55,125	6,051	100,996	

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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

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:

	2021		2020	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	USD ('000)	**USD ('000)**	USD ('000)	USD ('000)
Cash and cash equivalents	**23,569**	**23,569**	6,880	6,880
Loans and receivables				
Premiums and other receivables	**383,065**	**383,065**	427,803	427,803
Reinsurance contract assets	**627,737**	**627,737**	639,980	639,980
Financial investments at FVOCI				
Bonds – quoted	**60,447**	**60,447**	75,866	75,866
Liquidity funds	**13,554**	**13,554**	18,250	18,250
Property and equipment	**211**	**211**	321	321
	1,108,582	**1,108,582**	1,169,100	1,169,100
Reinsurance and other payables	**318,973**	**318,973**	369,175	369,175
Due to related parties	**2,445**	**2,445**	5,839	5,839
Income tax payable	**3,515**	**3,515**	3,905	3,905
Insurance contract liabilities	**681,191**	**681,191**	691,134	691,134
	1,006,124	**1,006,124**	1,070,053	1,070,053

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:

	Level 1	**Level 2**	**Level 3**	**Total fair value**
	USD ('000)	**USD ('000)**	**USD ('000)**	**USD ('000)**
31 December 2021				
Financial investments at FVOCI				
Bonds – quoted	**60,447**	**-**	**-**	**60,447**
Liquidity funds	**13,554**	**-**	**-**	**13,554**
	74,001	**-**	**-**	**74,001**

	Level 1	**Level 2**	**Level 3**	**Total fair value**
	USD ('000)	**USD ('000)**	**USD ('000)**	**USD ('000)**
31 December 2020				
Financial investments at FVOCI				
Bonds – quoted	75,866	-	-	75,866
Liquidity funds	18,250	-	-	18,250
	94,116	-	-	94,116

22. DIVIDENDS

The Directors proposed that a net dividend of USD0.0748 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 USD1.68 million.

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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 5 to 53, which comprise the Statement of Financial Position as at 31 December 2021, 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 2021, 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.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of QIC Europe Limited

Report on the audit of the financial statements - continued

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.

Measurement of liabilities arising from claims reported and not settled and claims incurred but not reported

The Company's liabilities arising from claims reported and not settled and claims incurred but not reported on the insurance contracts underwritten, are described and disclosed in Notes 3(e)(vi), 4 and 7 represent 53% of the total liabilities as of 31 December 2021.

Provision for claims reported but not settled

The 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.

Provision for claims incurred but not reported

The provision for claims reported but not settled 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 liabilities arising from claims reported and not settled and claims incurred but not reported involves significant uncertainty, complexity and subjectivity, given that the ultimate liability is based on non-economic assumptions. Furthermore, uncertainties in the estimation arise, in particular, from the occurrence, amount and speed of settlement of large claims, including long-tail claims development and losses in connection with the development of the COVID-19 pandemic due to insufficient empirical data for such losses.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of QIC Europe Limited

Report on the audit of the financial statements - continued

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

In view of the uncertainty, complexity and subjectivity involved, and the fact that the liabilities arising from claims reported but not settled and claims incurred but not reported constitute a significant liability line item in the Statement of Financial Position, we have considered the measurement and adequacy of the liabilities arising from claims reported but not settled and claims incurred but not reported as a key audit matter.

Our audit procedures over the provision for claims reported but not settled by the insured included amongst others:

- Reconciling the provision for claims reported but not settled as at year end as derived from the Company's technical insurance system to the provision for claims reported but not settled as disclosed in Note 7; and
- For a sample selected, tracing the provision for claims reported but not settled as recorded in the Company's technical insurance system to the latest claims bordereaux received by the coverholders by year end.

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 provision for IBNR for all coverholder business across all underwriting years by applying the Company's ultimate claims incurred ratios;
- Testing the adequacy of the Company's provision for IBNR by involving our actuarial specialist team to assist us in evaluating the appropriateness of the ultimate claims incurred ratios applied by the Company through, amongst other, benchmarking the ultimate claims incurred ratios and development patterns 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 liabilities arising from claims reported but not settled and claims incurred but not reported lie within such range;
- Involving our actuarial specialist team to review the impact of the events occurring in current year, including the impact of the development of the COVID-19 pandemic on the ultimate claims incurred ratios reported by the Company; and
- 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 2021.

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INDEPENDENT AUDITOR'S REPORT

to the Shareholders of QIC Europe Limited

Report on the audit of the financial statements - continued

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

We have also assessed the relevance of disclosures relating to the Company's liabilities arising from claims reported but not settled and claims incurred but not reported 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 material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and those charged with governance 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.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of QIC Europe Limited

Report on the audit of the financial statements - continued

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.

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INDEPENDENT AUDITOR'S REPORT

to the Shareholders of QIC Europe Limited

Report on the audit of the financial statements - continued

Auditor's responsibilities for the audit of the financial statements - continued

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, actions taken to eliminate threats or safeguards applied.

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 fifth year of our appointment.

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INDEPENDENT AUDITOR'S REPORT

to the Shareholders of QIC Europe Limited

Report on other legal and regulatory requirements - continued

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

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 Frank Cassar for and on behalf of

Ernst & Young Malta Limited
Certified Public Accountants
8 April 2022