Qatar Reinsurance Company Limited

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

Index	*Page*

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing Directors' Report and the financial statements in accordance with applicable law and regulations.

Directors are required to prepare financial statements for each financial year. As per provisions of applicable law Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS').By law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with applicable laws and regulations. They 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QATAR REINSURANCE COMPANY LIMITED

Opinion

We have audited the consolidated financial statements of Qatar Reinsurance Company Limited and its subsidiaries (collectively 'the Group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Income , Consolidated Statement of Comprehensive Income/(loss), Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 31 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs).

In our opinion, the consolidated financial statements:

- give a true and fair view of the Group's affairs as at 31 December 2018 and of its profit for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report below. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the consolidated financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Valuation of the gross IBNR provisions for reinsurance and insurance contract liabilities • Accounting for the acquisition of Markerstudy
Audit scope	• We performed an audit of the complete financial information of Qatar Reinsurance Company Limited and audit procedures on specific balances for a further three components • The components where we performed procedures accounted for more than 90% of gross written premium
Materiality	• Overall materiality of $18.4m which represents 1% of Gross Written Premium

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of the gross IBNR provisions for reinsurance and insurance contract liabilities (included within Reinsurance and Insurance Contract Liabilities and Reinsurance Contract Assets, Note 11) **(2018: $798m, 2017: $698m)** The valuation of gross provisions for reinsurance and insurance contract liabilities incorporates judgement for the expected ultimate cost of claims incurred, but not yet reported (IBNR), at the reporting date. It is reasonably possible that uncertainties inherent in the reserving process, delays in insurers reporting losses to the Group, together with the potential for adverse development, could lead to the ultimate amount paid varying materially from the amount estimated at this reporting date.	► We understood, assessed and tested the design and operational effectiveness of the key controls in the reserving process including the review and approval of the reserves, and controls over the extraction of data from the appropriate sources. ► Supported by our actuarial specialists we evaluated management's methodology against market practice and challenged management's assumptions and their assessment of major sensitivities, based on our market knowledge and industry data where available. The main areas of judgement include the level of reserves held for specific losses, the loss development patterns selected and the initial expected loss ratios. ► Using management's data we independently re-projected a proportion of the claims provisions investigating significant differences between our projections and management's booked reserves. Using our own re-projections, we then considered whether the provisions for insurance liabilities held at the year- end fall within a reasonable range of estimates.	Taken as a whole, we consider that management's judgements in the areas highlighted are reasonable based on the information available at the date of the report. The Group's provisions lie within what we consider to be a reasonable range of estimates. In addition, we consider that the disclosures made are satisfactory, and they provide information that assists in understanding the uncertainty inherent in the valuation of provisions for reinsurance and insurance contract liabilities.

	► We have read the related disclosures and considered whether they satisfy the requirements of accounting standards.	
Accounting for the acquisition of Markerstudy *This is a new key audit matter for the current year.* On 22nd December 2017, Qatar Reinsurance Company Limited entered into a binding sale and purchase agreement (SPA) with Markerstudy Group to acquire the Gibraltar Companies within the Markerstudy Group. After obtaining change of control approvals from all relevant regulatory authorities, on 25th July 2018, Qatar Reinsurance Company Limited completed the acquisition of the Gibraltar Companies for a consideration of £147.9 million. We consider the identification and valuation of identifiable intangible assets, such as the Framework Agreement ($60m) and licenses ($7.5m), arising from the acquisition of Markerstudy businesses to be a key audit matter due to the nature of judgements and estimates involved. As a result, we focused on significant judgements in respect of the identification of the intangible assets acquired, GAAP valuation of the Markerstudy insurance contract liabilities as at the date of acquisition and the fair value adjustments required in the insurance contract liabilities. The primary elements of the valuation exercise assessed the fair value of the identifiable intangible assets in the form of the	To obtain sufficient audit evidence to assess the impact of the acquisition of Markerstudy, we: ► read relevant agreements and board minutes which support the final conclusions in respect of the acquisition accounting ► reviewed the opening statement of financial position of Markerstudy entities as at the date of acquisition; ► Ensured appropriate recognition of all identifiable intangible assets by understanding the transaction; ► engaged EY valuations team to assess the methodology and assumptions adopted by management for calculating the fair values of intangible assets arising on acquisition;eviewed and assessed the fair values of the acquired assets and liabilities including the insurance contract assets and liabilities and considered the impact on the recognised intangible assets; ► ensured that the acquisition accounting and disclosure of the acquisition are in compliance with IFRS 3 Business Combinations; and; ► .	Based on our procedures performed on the acquisition of Markerstudy, we are satisfied that, on an overall basis, the fair value of the assets and liabilities acquired lies within a reasonable range of what a market participant in an orderly transaction would pay for the identifiable assets and liabilities. In addition, we are satisfied that the acquisition accounting and disclosures are in compliance with the applicable accounting framewrk.

Framework Agreement and Licenses.		

An overview of the scope of our audit

Tailoring the scope
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Group. This enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

The Group is a subsidiary of Qatar Insurance Company. which is based in Doha, Qatar. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or other EY network firms, operating under our direction and oversight. EY Doha performed audit procedures over investments and IT. Where the work was performed by an EY network firm, we determined the level of involvement we needed to have in the audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained.

The Audit Engagement Partner and senior members of the audit team reviewed the work performed by the EY network firms. This, together with audit procedures performed by us, gave us the evidence we needed for our opinion on the Group's consolidated financial statements.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the consolidated financial statements, we identified three reporting components of the Group. The Group reporting components consists of QIC Europe Limited, Markerstudy Insurance Company Limited and Zenith Insurance Plc. We performed audit procedures related to the Group's components as noted below. In doing so, we also considered qualitative factors and checked we obtained sufficient coverage across all consolidated financial statements line items in the consolidated financial statements. This scope provided us with coverage of more than 90% of gross written premium.

Details of the three components which were audited by component teams are set out below:

Component	Scope	Auditor
QIC Europe Limited	Full	EY Malta
Markerstudy Insurance Company Limited	Full	EY Gibraltar
Zenith Insurance Plc	Full	EY Gibraltar

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction.

The primary audit team provided detailed audit instructions to the component teams which included guidance on areas of focus, including the relevant risks of material misstatement detailed above, and set out the information required to be reported to the primary audit team.

For the work performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

For all components, the primary audit team reviewed key working papers and participated in the component teams' planning, including the component teams' discussion of fraud and error. The work performed on the components, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the consolidated financial statements as a whole.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $18.4 million, which is 1% of Gross Written Premium. Because of the potential variability in the Group's results, we believe that Gross Written Premium provides us with a measurement of materiality which is most closely aligned to the key focus of the entity and its users of the consolidated financial statements.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely $9.2m. We have determined the percentage as 50% due to changes in the Group's processes and systems during the year.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial. We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $920k, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on page 1, other than the consolidated financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the consolidated financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 (UK) 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 consolidated financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit:

- in respect of fraud, are to identify and assess the risks of material misstatement of the consolidated financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management; and

- in respect of irregularities, considered to be non-compliance with laws and regulations, are to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the consolidated financial statements ('direct laws and regulations'), and perform other audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the consolidated financial statements. We are not responsible for preventing non-compliance with laws and regulations and our audit procedures cannot be expected to detect non-compliance with all laws and regulations.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the consolidated financial statements are those that relate to the reporting framework (IFRSs) and the relevant tax compliance regulations in the UK and overseas jurisdictions in which the Group operates. Our considerations of other laws and regulations that may have a material effect on the consolidated financial statements included the permissions and supervisory requirements of the Bermuda Monetary Authority ('BMA').

- We obtained a general understanding of how the Group complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and regulatory bodies; reviewed minutes of the board; and gained an understanding of the Group's approach to governance.

- We assessed the susceptibility of the Group's consolidated financial statements to material misstatement, including how fraud might occur, by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual

- We assessed the susceptibility of the Group's consolidated financial statements to material misstatement, including how fraud might occur, by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the consolidated financial statements were free from fraud or error.
- For direct laws and regulation, we considered the extent of compliance with those laws and regulations as part of our procedures on the related consolidated financial statement items.
- For both direct and other laws and regulations, our procedures included review of board minutes, a review of the reporting to the Audit Committee on compliance with regulations and enquiries of management.
- The Group operates in the insurance industry which is a highly regulated environment. As such the lead audit partner considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

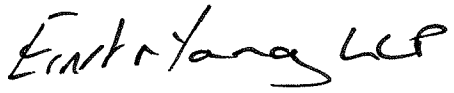
A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by Ernst & Young Doha whose report dated 28 March 2018 expressed an unqualified opinion on those consolidated financial statements.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and we remain independent of the Group in conducting the audit.

Use of our report

This report is made solely to the Group's members, as a body, in accordance with our engagement letter dated 16 April 2019. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ernst & Young LLP
London
14 June 2019

Notes:

1. The maintenance and integrity of the Qatar Reinsurance Company Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the web site.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	Notes	***2018 USD ('000)***	*2017 USD ('000)*
Gross written premiums	5	**1,841,614**	1,625,549
Premiums ceded to reinsurers	5	**(870,652)**	(912,985)
Net premiums		**970,962**	712,564
Movement in net unearned premium reserve	5	**(10,806)**	(171,836)
Net earned premiums		**960,156**	540,728
Gross claims paid	5	**(1,202,949)**	(755,431)
Reinsurance recoveries	5	**789,188**	411,057
Movement in net outstanding claims	5	**(240,676)**	(173,114)
Commission income	5	**325,427**	212,904
Commission expense		**(609,976)**	(302,919)
Net underwriting results		**21,170**	(66,775)
Investment income	6	**95,859**	68,634
Finance costs	6	**(11,618)**	(6,017)
Net investment income	6	**84,241**	62,617
Net underwriting results and investment income		**105,411**	(4,158)
Operating and administrative expenses	7	**(58,150)**	(50,644)
Depreciation	14	**(1,038)**	(1,238)
Profit/(loss) for the year before tax		**46,223**	(56,040)
Tax credit/(charge)		**143**	(117)
Profit/(loss) for the year		**46,366**	(56,157)

The accompanying notes are an integral part of these consolidated financial statements

Qatar Reinsurance Company Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the year ended 31 December 2018

	2018 ***USD ('000)***	*2017* *USD ('000)*
Profit/(loss) for the year	**46,366**	(56,157)
Other comprehensive income (OCI)		
OCI to be reclassified to profit or loss in subsequent periods		
Debt instruments at fair value through other comprehensive income		
Net changes in fair value during the year	**(43,403)**	-
Available-for-sale financial assets		
Net changes in fair value during the year	-	7,116
Foreign currency translation differences foreign operations	**(6,922)**	-
Total comprehensive income/(loss) for the year	**(3,959)**	(49,041)

Qatar Reinsurance Company Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	*2018* *USD ('000)*	*2017* *USD ('000)*
ASSETS			
Cash and cash equivalents	9	**1,021,901**	963,697
Insurance and other receivables	10	**1,830,098**	1,327,773
Reinsurance contract assets	11	**2,288,940**	1,684,659
Investments	12	**1,445,586**	1,145,901
Investment properties	13	**5,893**	-
Property and equipment	14	**2,123**	2,865
Goodwill and intangible assets	15	**67,655**	-
TOTAL ASSETS		**6,662,196**	5,124,895
LIABILITIES AND EQUITY			
LIABILITIES			
Provisions, reinsurance and other payables	16	**621,605**	135,332
Short term borrowing	21	**487,967**	319,379
Amounts due to related parties	22	**792,417**	987,330
Reinsurance and insurance contract liabilities	11	**3,650,504**	2,534,179
TOTAL LIABILITIES		**5,552,493**	3,976,220
SHAREHOLDERS' EQUITY			
Share capital	23	**1,000**	1,000
Contributed Surplus	24	**695,368**	695,368
Fair value reserve	25	**(47,271)**	(3,868)
Foreign currency translation reserve		**(6,922)**	-
Retained earnings		**23,683**	12,330
TOTAL SHAREHOLDERS' EQUITY		**665,858**	704,830
Subordinated perpetual debt	26	**443,845**	443,845
TOTAL EQUITY		**1,109,703**	1,148,675
TOTAL LIABILITIES AND EQUITY		**6,662,196**	5,124,895

Sandeep Kanda

Authorised signatory

The accompanying notes are an integral part of these consolidated financial statements

Qatar Reinsurance Company Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital USD ('000)	*Contributed surplus USD ('000)*	*Fair value reserve USD ('000)*	*Foreign currency translation reserve USD ('000)*	*Retained earnings USD ('000)*	*Total shareholders' equity USD ('000)*	*Subordinated perpetual debt USD ('000)*	*Total equity USD ('000)*
Balance as at 1 January 2017	1,000	695,368	(10,984)	-	86,369	771,753	-	771,753
Profit for the year	-	-	-	-	(56,157)	(56,157)	-	(56,157)
Net changes in fair value on available-for-sale investments	-	-	7,116	-	-	7,116	-	7,116
Total comprehensive income for the year	-	-	7,116	-	(56,157)	(49,041)	-	(49,041)
Subordinated perpetual debt – Tier 2 capital (Note 26)	-	-	-	-	-		443,845	443,845
Interest on perpetual debt	-	-	-	-	(17,882)	(17,882)	-	(17,882)
Balance as at 31 December 2017	1,000	695,368	(3,868)	-	12,330	704,830	443,845	1,148,675
Impact of adopting IFRS 9 (Note 2)			3,123	-	(4,928)	(1,805)	-	(1,805)
Adjusted balance at 1 January 2018	1,000	695,368	(745)	-	7,402	703,025	443,845	1,146,870
Profit for the year	-	-	-	-	46,366	46,366	-	46,366
Net changes in investments at fair value through other comprehensive income ("FVOCI")	-	-	(45,796)	-	-	(45,796)	-	(45,796)
Foreign currency translation reserve	-	-	-	(6,922)	-	(6,922)		(6,922)
Total comprehensive income (loss) for the year	-	-	(46,541)	(6,922)	53,768	696,673	-	696,673
Effect of acquisition of subsidiaries (Note 30)	-	-	(730)		(7,982)	(8,712)	-	(8,712)
Interest on perpetual debt	-	-	-	-	(22,103)	(22,103)	-	(22,103)
Balance as at 31 December 2018	**1,000**	**695,368**	**(47,271)**	**(6,922)**	**23,683**	**665,858**	**443,845**	**1,109,703**

The accompanying notes are an integral part of these consolidated financial statements

Qatar Reinsurance Company Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	*2018* *USD ('000)*	*2017* *USD ('000)*
OPERATING ACTIVITIES			
Profit (Loss) for the year		**46,366**	(56,157)
Adjustments for:			
Depreciation of property and equipment	14	**1,038**	1,238
Investment income	6	**(84,241)**	(62,617)
Provision for employees' end of service benefits	17	**242**	165
Loss on disposal of property and equipment		**50**	-
Net unrealised gain on investments		**368**	-
Income tax		**(489)**	-
		(36,666)	(117,371)
Movements in working capital			
Insurance and other receivables		**221,835**	(254,012)
Net movement in insurance reserves		**180,723**	370,661
Provisions, reinsurance and other payables		**(318,006)**	5,722
Due to related parties		**46,312**	235,655
Cash generated from operations		**94,198**	240,655
Employees' end of service benefits paid	17	**(301)**	(38)
Net cash generated from operating activities		**93,897**	240,617
INVESTING ACTIVITIES			
Net cash movements in investments		**(184,178)**	(423,171)
Acquisition of subsidiaries		**(203,408)**	-
Cash and cash equivalents from acquisition of subsidiaries		**125,514**	
Purchase of property and equipment	14	**(276)**	(1,758)
Investment income received		**80,218**	62,617
Net cash (used in) from investing activities		**(182,130)**	(362,312)
FINANCING ACTIVITIES			
Net movement in short term borrowings		**168,588**	(65,013)
Proceeds from perpetual debt issued		**-**	450,000
Issuance cost on perpetual debt issued		**-**	(6,155)
Interest paid on perpetual debt		**(22,151)**	(11,138)
Net cash generated from financing activities		**146,437**	367,694
Increase in cash and cash equivalents		**58,204**	245,999
Cash and cash equivalents at beginning of the year		**963,697**	717,698
Cash and cash equivalents at the end of the year	9	**1,021,901**	963,697

The accompanying notes are an integral part of these consolidated financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar Reinsurance Company Limited (the "Company") is primarily engaged in the business of reinsurance and was authorised as a Class 4 insurer by the Bermuda Monetary Authority ("BMA") on 24 November 2015.

The Company was originally incorporated on 6 December 2009 in the Qatar Financial Centre ("QFC") in Doha, Qatar under the name of "Q-Re LLC" and with Registration Number 00117. The Company subsequently changed its name to Qatar Reinsurance Company LLC on 18 February 2014. On 24 November 2015, the Company completed the transfer of its seat of incorporation from the QFC to Bermuda and was incorporated in Bermuda under the name of Qatar Reinsurance Company Limited as an exempted company with limited liability and with registration number 50896.

On 26 January 2018 the address of the registered office of the Company changed from Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, to 71 Pitts Bay Road, Pembroke HM 08, Bermuda, which is also the address of the Company's head office.

The Company is wholly owned by a single shareholder - QIC Capital LLC ("QICC") – a limited liability holding company incorporated in the QFC. QICC is a majority-owned (95.74%) subsidiary of Qatar Insurance Company S.A.Q. ("QIC"), a Qatar Shareholding Company listed on the Qatar Stock Exchange and the ultimate parent of the QIC group of companies. The Company operates from its head office in Bermuda and its branch offices established in Switzerland, United Kingdom, Singapore (placed into run-off with effect from 20 July 2018) and the Dubai International Financial Centre.

These consolidated financial statements incorporate the financial information of the Company and its subsidiaries ("collectively "the Group"), all of which have 31 December as their financial year end.

Subsidiaries
The Company holds 100% of the share capital of Qatar Reinsurance Services LLC. This subsidiary is a limited liability company incorporated in the QFC on 13 October 2015 and is primarily engaged in providing management services to the Group.

On 25 July 2018 the Company completed the acquisition of 100% of the share capital of the Markerstudy Group's Gibraltar-based insurance companies, namely: Markerstudy Insurance Company Limited; Zenith Insurance PLC; St. Julians Insurance Company Limited: and Ultimate. The Gibraltar-based insurance companies underwrite more than 5% of the UK motor insurance market, generating premiums of about GBP 750 million per year. Ultimate has been placed into runoff and has been de-registered with the insurance regulator in Gibraltar.

On 1 September 2018 the Company acquired 100% of the share capital of QIC Europe Limited ("QEL"). QEL is a limited liability company incorporated in Malta and is authorised by the Malta Financial Services Authority to conduct insurance and reinsurance business in a number of classes of business. Prior to this acquisition QEL was a wholly owned subsidiary of QIC and as such was considered a related party to the Company through common ownership. In 2017 QEL generated gross written premiums of USD 411 million and had capital and surplus of USD 55.8 million.

These consolidated financial statements were approved by the Board of Directors on xxx xxx 2019.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

New and amended standards and interpretations in effect:

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018.

The Group applied for the first time certain International Accounting Standards Board ("IASB") Standards and amendments, which were effective for annual periods beginning on or after 1 January 2018. The Group has not early

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

adopted any other standard interpretation or amendment that has been issued but is not yet effective. The nature and impact of each new standard and amendment is described below.

- **Amendments to IFRS 4 Applying IFRS 9 – "Financial Instruments" with IFRS 4 – "Insurance Contracts"**

IFRS 4 standard issued September 2016 amendments to the standard to introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest.

An entity may apply the temporary exemption from IFRS 9 if:

i) it has not previously applied any version of IFRS 9 before and
ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. The temporary exemption from IFRS 9 is available from 1 January 2018 while the overlay approach applies when IFRS 9 is applied for the first time.

The Group has assessed the above options available and criterion thereof and concluded to adopt IFRS 9 from 1 January 2018.

IFRS 9 Financial instruments

IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in this consolidated financial statements.

a) Changes to classification and measurement

IFRS 9 requires to determine the classification and measurement category for all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses on profit or loss on derecognition; and
- Financial assets at fair value through profit or loss (FVTPL).

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

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The Group's classification of its financial assets and liabilities is explained in Note 3. The quantitative impact of applying IFRS 9 as at 1 January 2018 are disclosed in the succeeding disclosures.

b) Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

IFRS 9 Financial instruments (continued)

record an allowance for ECLs for debt financial instrument not held at FVTPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.
For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the investment category by leading credit rating agencies (i.e. Standards & Poor's, Fitch, Moody's) and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from leading rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

c) Transition disclosures

Set out below are the IFRS 9 transition impact disclosures for the Group. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in Note 3.

	Retained earnings USD ('000)	*Fair value reserve USD ('000)*
Closing balance under IAS 39 – 31 December 2017	12,330	(3,868)
Impact		
Reclassification of AFS debt securities to FVTPL	490	(490)
Reclassification of AFS equity securities to FVTPL	(3,560)	3,560
Impact of recognition of Expected Credit Losses (ECL)	(1,858)	1,065
Restated balance as at 1 January 2018	7,402	267

Classification and Measurement of Financial Instruments

The Group performed a detailed analysis of its business models for managing financial assets as well as analysing their cash flow characteristics. The below table reconciles the original measurement categories and carrying amounts of financial assets in accordance with IAS 39 and the new measurement categories under IFRS 9 as at 31 December 2017:

	IAS 39 Measurement category	*IFRS 9 Measurement category*	*IAS 39 Carrying amount USD ('000)*	*IFRS 9 Impact Reclassification USD ('000)*	*IFRS 9 Carrying amount USD ('000)*
Cash & deposits	AC (L&R)[5]	AC[1]	963,697	-	963,697
Managed Funds	FVTPL (HFT)[6]	FVTPL (D)[2]	12,009	-	12,009
Derivatives	FVTPL (HFT)[6]	FVTPL (M)[3]	3,994	-	3,994
Equity Securities – Qatari listed	AFS[7]	FVTPL (D)[2]	33,105	-	33,105
Debt Securities – Bonds	AFS[7]	FVOCI[4]	1,090,513	(69,861)	1,020,652
Debt Securities – Bonds	AFS[7]	FVTPL (D)[2]	-	69,861	69,861
Equity Securities – Unquoted & private equity	AFS[7]	FVTPL (D)[2]	6,280	-	6,280
			2,109,598	-	2,109,598

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

IFRS 9 Financial instruments (continued)

(1) Amortised Cost
(2) Fair Value Through Profit or Loss (Designated)
(3) r Value Through Profit or Loss (Mandatory)

c) Transition disclosures (continued)

(4) Fair Value Through Other Comprehensive Income
(5) Amortised cost (Loans and Receivables)
(6) Fair Value through Profit or Loss (Held for Trading)
(7) Available-for-Sale

Financial liabilities

There were no changes to the classification and measurement of financial liabilities.

Exposures and related ECL Movements:

	Stage 1 USD ('000)	*Stage 2 USD ('000)*	*Stage 3 USD ('000)*	*Total USD ('000)*
Exposure (carrying value) subject to ECL at 1 January 2018				
Due from banks and deposits	963,967	-	-	963,967
Financial investments – Debt	1,020,652	-	-	1,020,652
Exposure (carrying value) subject to ECL at 31 December 2018				
Due from banks and deposits	1,021,900	-	-	1,021,900
Financial investments – Debt	1,349,634	-	-	1,349,634
Opening balance as at 1 January 2018				
Due from banks and deposits	-	-	-	-
Financial investments – Debt	-	-	-	-
ECL Impact of initial application of IFRS 9				
Due from banks and deposits	793	-	-	793
Financial investments – Debt	1,065	-	-	1,065
Impact of recognition of ECL at Day 1	1,858	-	-	1,858
Financial investments - Debt – Effect of acquisition (Note 30)	7,161	-	-	7,161
Foreign currency translation for the year				
Due from banks and deposits	-	-	-	-
Financial investments – Debt	-	-	-	-
	-	-	-	-
Due from banks and deposits	(431)	-	-	(431)
Financial investments – Debt	(3,982)	-	-	(3,982)
ECL charge for the period (Net)	(4,413)	-	-	(4,413)
Due from banks and deposits	362	-	-	362
Financial investments – Debt	4,244	-	-	4,244
ECL as at 31 December 2018	4,606	-	-	4,606

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

IFRS 9 Financial instruments (continued)
The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

c) Transition disclosures (continued)
Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 31 December 2017 USD ('000)	*Remeasurement USD ('000)*	*ECL under IFRS 9 as at 1 January 2018 USD ('000)*
AFS financial asset and due from banks and deposits under IAS 39/Debt instruments at fair value through OCI under IFRS 9	-	1,858	1,858

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

- **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations**

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

- **Amendments to IAS 40 Transfers of Investment Property**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

- **IFRS 15 – "Revenue from Contracts with Customer"**

IFRS 15 was issued in May 2014 and supersedes IAS 11 Construction Contracts, IAS 8 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has assessed that it has no complicated revenue from customer contracts other than those qualifying under IFRS 4. Given insurance contracts are scoped out of IFRS 15, the Group did not assess a significant impact to its consolidated financial statements.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

New and revised standards in issue but not yet in effect:

The following IASB Standards and interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRIC") which have been issued but, are not yet effective for the year ended 31 December 2018, are disclosed below. The Group has not early adopted any standard, interpretation or amendment that had been issued but is not yet effective. The Group intends to adopt these standards, if applicable, when they become effective.

- **IFRS 16 – "Leases"**

IFRS 16 was issued in January 2016 and it replaces IAS 17 - "Leases", IFRIC 4 - "Determining whether an Arrangement contains a Lease", Standing Interpretations Committee ("SIC") -15 - "Operating Leases-Incentives" and SIC-27 - "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The Group has assessed the impact of this Standard and does not expect the impact of the adoption of this standard to be significant.

- **IFRS 17 – "Insurance Contracts"**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. In order to further evaluate the effects of adopting IFRS 17 in the consolidated financial statements, an IFRS 17 Group Implementation Team has been set up sponsored by the Group Chief Financial Officer, comprising senior management from Finance, Risk, Operations and Investment Operations.

- **Amendments to IFRS 9: "Prepayment Features with Negative Compensation"**

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

New and revised standards in issue but not yet in effect (continued):

permitted. These amendments are not expected to have any material impact on the consolidated financial statements of the Group.

- **Amendments to IAS 19: "Plan Amendment, Curtailment or Settlement"**

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- **Annual improvement – 2015 – 2017 cycle (issued in December 2017)**

Standards	*Content*	*Effective date**
IFRS 3	Business Combinations	1 January 2019
IFRS 11	Joint Arrangements	1 January 2019
IAS 12	Income Taxes	1 January 2019
IAS 23	Borrowing Costs	1 January 2019

The Group is currently in the process of evaluating the potential effect of these amendments in the presentation of the consolidated financial statements.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

Basis of preparation
The accompanying consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value at the end of each reporting period. These consolidated financial statements are presented in United States Dollars (USD) and rounded to the nearest thousand (USD '000), unless otherwise indicated.

Financial assets and financial liabilities are offset and the net amount reported in these consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group

The consolidated financial statements also provide comparative information in respect of the previous financial year.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after reporting date (no more than 12 months) and more than 12 months after reporting date (more than 12 months) is presented in Note 28.

a) Consolidation, translation and financial instruments

i) Basis of consolidation

Subsidiaries
The consolidated financial statements incorporate the financial statements of the Company and its investees that are considered as subsidiaries as at 31 December 2018 (together referred to as the "Group").

Subsidiaries are investees that the Company has control over. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiary companies are prepared for the same reporting period as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control over the subsidiaries are accounted for as an equity transaction. If the Company loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from company shareholders' equity.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Transactions eliminated on consolidation
Inter-company balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Business combination
The management uses the following criteria to evaluate whether a business combination has substance to apply the acquisition method or as per under the uniting of interests' method where the transaction lacks substance as described in IFRS 3 – Business Combinations:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- The existing activities of the entities involved in the transactions; whether or not it is bringing entities together into a reporting entity that did not exist before; and
- where a new company is established, whether it is undertaken in connection with an IPO or spin-off or other change in control and significant change in ownership.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred in a business combination, measured at fair value on the date of acquisition and the amount of any non-controlling interest ("NCI") in the acquiree. Total fair value is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised and expensed as a part of administrative expenses in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI in the acquiree, over the net identifiable assets acquired and liabilities assumed as at the date of acquisition. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

Common control transactions
Business combinations involving the transfer of business and net assets in a transaction under common control, are accounted for at the carrying values of the underlying net assets of the transferred business. There are no bargain gain or goodwill on transfer of assets recognised by the Group on common control transactions.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Business combination (continued)

Goodwill
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets
Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at cost which is their fair value as at the date of acquisition. Subsequent to initial recognition,

- Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.
- Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

The current economic lives applied to the Group's intangible assets are as follows:

Intangible assets acquired	*Economic Life*
Framework agreement	10 years
Non life insurance license	Indefinite

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

ii) Foreign currency translation

Foreign operations
The individual financial statements of the Group entities are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of the subsidiary is expressed in the presentation currency of the Company.

The assets and liabilities of foreign operations are translated to United States Dollars using exchange rates prevailing at the reporting date. Income and expenses are also translated to United States Dollars at the exchange rates prevailing at the reporting date, which do not significantly vary from the average exchange rates for the year. A foreign currency translation reserve is included separately under equity. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the rate of exchange prevailing at the yearend. The resultant exchange differences are included in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognised in other comprehensive income.

b) Classification of financial assets and financial liabilities (applicable from 1 January 2018)

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 removes the requirement contained in IAS 39 relating to bifurcation of an embedded derivative from an asset host contract. However, entities are still required to separate derivatives embedded in financial liabilities where they are not closely related to the host contract.

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities with the exception of the treatment of the gains and losses from the Group's own credit, which arise where the Group has chosen to measure a liability at fair value through profit or loss, these gains and losses are recognised in other comprehensive income. There continue to be two measurement categories for financial liabilities: fair value and amortised cost.

i) Initial recognition
Financial assets and liabilities are initially recognised on the trade date. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from the amount. Trade receivables are measured at the transaction price. The Day 1 gain or loss is recognised when the fair value of financial instruments at initial recognition differs from the transaction price.

ii) Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Classification of financial assets and financial liabilities (applicable from 1 January 2018) (continued)

iii) Measurement categories of financial assets and liabilities

From 1 January 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities are measured at amortised cost.

Financial instruments – initial recognition

a) Financial investments at amortised cost

From 1 January 2018, the Group only measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

(i) Business model assessment

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

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the 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)
- The expected frequency, value and timing of sales are also important aspects of the Group'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 original expectations, the Group 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) The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial assets 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 lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of financial assets and financial liabilities (applicable from 1 January 2018) (continued)

Financial instruments – initial recognition (continued)

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

b) Debt instruments at FVOCI

The Group applies the new category under IFRS 9 of 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 achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise assets that had previously been classified as financial investments available- for-sale under IAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

c) Equity instruments at FVOCI

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

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as investment income when the right of the payment has been established, except when the Group 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.

d) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The liabilities (and assets until 1 January 2018 under IAS 39) are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities (and assets until 1 January 2018 under IAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of financial assets and financial liabilities (applicable from 1 January 2018) (continued)

any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earnt on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial instruments – initial recognition (continued)

e) Derivative financial instruments (continued)

Derivative financial instruments
A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. The Group uses derivative financial instruments for economic hedging purposes such as forward currency contracts and interest rate swaps to hedge its foreign currency risks interest rate risks and equity price risk, respectively. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVTPL. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVTPL category. However, as an exception to above, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate) is not separated and measured at fair value even if the exercise price differs from the carrying amount of the host insurance liability.

Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

Any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which are recognised in OCI and later reclassified to profit or loss when the hedged item affects profit or loss.

Impairment of financial assets (Policy applicable from 1 January 2018)
The Group applies a three-stage approach to measuring expected credit losses (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.

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Policy applicable from 1 January 2018) (continued)
represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

a) Overview (continued)

The Group 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 Group categorizes its FVOCI assets into stages as described below:

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

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

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

For financial assets for which the Group 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.

b) The calculation of ECLs

The Group 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Policy applicable from 1 January 2018) (continued)

b) The calculation of ECLs (continued)

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 Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group 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 Group 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 fair value through OCI
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.

b) Forward looking information
The Group, for forward looking information, relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- 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.

Initial recognition and measurement within the scope of IAS 39 (applicable up to 31 December 2017)
Financial assets within the scope of IAS 39 are classified, at initial recognition, as financial assets at fair value through profit and loss ("FVTPL"), loans and receivables, held to maturity investments ("HTM"), available-for-sale ("AFS") financial assets. Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit and loss where the Group's documented investment strategy is to manage financial investments on a fair value basis.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement within the scope of IAS 39 (applicable up to 31 December 2017)
For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at fair value through profit and loss
- available-for-sale financial assets
- Loans and receivables

Financial assets at fair value through profit or loss
Financial assets at fair value through profit and loss include financial assets held for trading and those designated upon initial recognition as at fair value through profit and loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments to be designated as at fair value through profit and loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis or
- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses'. Interest is accrued and presented in 'Investment income', using the effective interest rate. Dividend income is recorded in 'Investment income' when the right to the payment has been established.

Available-for-sale financial assets
Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit and loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive income in the fair value reserve under equity. Where the insurer holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale investments are recognised in the statement of profit or loss as 'Investment income' when the right of the payment has been established. When the asset is derecognised or determined to be impaired, the cumulative gain or loss is reclassified from available-for-sale reserve to the statement of profit or loss.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement within the scope of IAS 39 (applicable up to 31 December 2017) (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate 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 effective interest rate. The effective interest rate amortisation is included in 'Investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the effective interest rate, less impairment. The effective interest rate amortisation is included in 'Investment income' in the consolidated statement of income. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Derecognition of financial assets
A financial asset (or, when 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 expire or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group 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 Group 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 that the Group could be required to repay.

Impairment of financial assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement within the scope of IAS 39 (applicable up to 31 December 2017) (continued)

Available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Financial liabilities

Initial recognition and measurement within the scope of IAS 39 (applicable up to 31 December 2017)
Financial liabilities within the scope of IAS 39 are classified at initial recognition, as financial liabilities at fair value through profit and loss, borrowings, or payables. All financial liabilities are recognised initially at fair value and, in the case of borrowings, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, and borrowings.

Subsequent measurement within the scope of IAS 39 (applicable up to 31 December 2017)
Subsequent measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit and loss
The group does not have any financial liabilities designated as fair value through profit and loss.

Borrowings
After initial recognition, interest bearing loans and borrowings, and issued notes are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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 effective interest rate. The effective interest rate amortisation is included in finance cost in the statement of profit or loss.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement within the scope of IAS 39 (applicable up to 31 December 2017) (continued)

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments
Initial recognition and subsequent measurement
Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future.

The Group uses derivative financial instruments for economic hedging purposes such as forward currency contracts and interest rate swaps to hedge its foreign currency risks interest rate risks and equity price risk, respectively.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVTPL. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVTPL category. However, as an exception to above, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate) is not separated and measured at fair value even if the exercise price differs from the carrying amount of the host insurance liability.

Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

Any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which are recognised in OCI and later reclassified to profit or loss when the hedged item affects profit or loss.

.

i) Fair value reserve
The fair value reserve represents the unrealised gain or loss of the year-end fair valuation of available for sale investments. In the event of a sale or impairment, the cumulative gains or losses recognised under the investments fair value reserve are included in the consolidated statement of income for the year.

c) Reinsurance operations

i) Insurance and other receivables
Insurance and other receivables are recognised on business written 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 consolidated statement of income. After initial measurement, premiums and other receivables are measured at amortised cost as deemed appropriate.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Reinsurance operations (continued)

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

ii) Reinsurance contract assets

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

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

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.

iv) Gross written premiums

Gross written premiums are recognised when written and include an estimate for written premiums receivable at the reporting date. Gross written premiums are comprised of premiums on business incepting in the current financial year together with adjustments to estimates of premiums written in prior accounting periods. Estimates are included for pipeline premiums.

Premium on reinsurance contracts are recognised as revenue (earned premiums) proportionally over the period of risk coverage. The portion of premium recognised as written 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 reinsurance cover provided by retrocession contracts entered into during the year and are recognised on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of retrocession 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) Reinsurance contract liabilities

Reinsurance contract liabilities include the outstanding claims provision and the provision for unearned premium. Reinsurance contract liabilities are recognised when contracts are entered into and premiums are charged.

- ***Provision for outstanding claims***

Provision for outstanding claims is recognised 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.

Claims provision also includes liability for claims incurred but not reported as at the reporting date. The liability is calculated at the reporting date using a range of historic trends, empirical data and standard actuarial claim projection techniques. The current assumptions may include a margin for adverse deviations. The liability is not discounted for the time value of money.

- ***Unearned premium reserve***

The provision for unearned premiums represents that portion of premiums received or receivable, after deduction of the reinsurance share, 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 reinsurance contract written by the Company.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

c) Reinsurance operations (continued)

At each reporting date, the Company reviews its unearned premium and 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 income statement 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 recognised 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.

d) Investment income

Interest income
Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

Dividend income
Dividend income is recognised when the right to receive the dividends is established or when received.

e) General

i) Cash and cash equivalents
Cash and cash equivalents comprise cash in banks and on hand and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position. The cash equivalents are readily convertible to cash.

ii) Investment properties
Investment properties are properties held for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial acquisition, investment properties are then marked to a fair value. The fair values of investment properties are estimated by the Management's external valuer, by reference to market evidence of recent transactions for similar properties. Any change in value is recognised in the consolidated statement of income.

iii) 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 Group.

Ongoing repairs and maintenance are charged to the consolidated statement of income 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 consolidated statement of income as an expense.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated statement of income in the year the asset is derecognised.

e) General (continued)

iv) Depreciation

Depreciation is provided on a straight line basis on all property and equipment and investment properties, 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 & fixtures	-	2 to 5 years
Motor vehicles	-	3 years

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

v) Impairment of non-financial assets

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

vi) Provisions

The Group recognises provisions in the consolidated financial statements when the Group 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 consolidated statement of income for any obligations as per the calculated value of these obligations and the expectation of their realisation at the reporting date.

vii) Employees' end of service benefits

Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the Group entities, whichever is higher, and is calculated using the employee's salary and period of service at the reporting date.

viii) Current income tax

Although the Company is domiciled in Bermuda where there is no tax levied on corporate profits, the Group does have branch offices and subsidiaries in taxable jurisdictions. Current income tax assets and liabilities in these branches and subsidiaries for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates branches and subsidiaries, and generates taxable income.

ix) 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.

x) 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 Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions in the application of the Group's accounting policies, which are described in Note 3, that could affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and other factors and parameters that are considered to be relevant and available when the consolidated financial statements were prepared. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying value of assets or liabilities affected in future reporting periods. 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
The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying its accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of investments (applicable from 1 January 2018)
Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer to note 3 for further information.

Classification of investments (applicable up to 31 December 2017)
Quoted securities are classified either as held-for-trading or as available-for-sale. The Group invests substantially in quoted securities and management has primarily decided to account for them for their potential long term growth rather than the short term profit basis. Consequently, such investments are recognised as available for sale rather than at fair value through profit or loss. Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss. The Company invests in mutual and managed funds for trading purposes.

Estimated credit losses
Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. Refer to Note 3 for Inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

Impairment of financial assets (applicable up to 31 December 2017)
The Company determines whether available for sale financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires considerable judgment by the management. In making this judgment and to record whether impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Claims made under insurance contracts
Claims and loss adjustment expenses are charged to the consolidated statement of 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 paid and the provisions made are included in the consolidated statement of income in the year of settlement. As of 31 December 2018, the net estimate for unpaid claims amounted to USD 904,624,000 (2017: USD 477,159,000).

4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies (continued)

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

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

As of 31 December 2018 the net carrying values of insurance receivable and reinsurance receivables amounted to USD 1,415,893,000 (2017: USD 685,923,000) which includes a provision for impairment on insurance receivable and reinsurance receivable amounting to USD 403,000 (2017: USD 355,000).

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 income.

5 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 and Other Segments. These segments are the basis on which the Company reports its operating segment information. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. No inter-segment transactions occurred in 2018 and 2017.

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

Segment statement of income for the year ended 31 December 2018

	Property USD ('000)	*Casualty USD ('000)*	*Other USD ('000)*	*Total Insurance USD ('000)*	*Investments USD ('000)*	*Un-allocated (Expenses)/ Income USD ('000)*	*Total USD ('000)*
Gross written premiums	430,955	1,329,883	80,776	1,841,614	-	-	1,841,614
Premiums ceded to reinsurers	(250,435)	(586,257)	(33,960)	(870,652)	-	-	(870,652)
Net premiums	180,520	743,626	46,816	970,962	-	-	970,962
Movement in net unearned premium reserve	27,964	(37,781)	(989)	(10,806)	-	-	(10,806)
Net earned premiums	208,484	705,845	45,827	960,156	-	-	960,156
Gross claims paid	(347,932)	(775,682)	(79,335)	(1,202,949)	-	-	(1,202,949)
Reinsurance recoveries	248,364	485,688	55,136	789,188	-	-	789,188
Movement in net outstanding claims	(48,924)	(179,346)	(12,406)	(240,676)	-	-	(240,676)
Commission income	67,789	238,394	19,244	325,427	-	-	325,427
Commission expense	(131,045)	(443,554)	(35,377)	(609,976)	-	-	(609,976)
Net underwriting results	(3,264)	31,345	(6,911)	21,170	-	-	21,170
Investment income	-	-	-	-	95,829	30	95,859
Finance costs	-	-	-	-	(11,618)	-	(11,618)
Net investment income	-	-	-	-	84,211	30	84,241
Total (loss) income	(3,264)	31,345	(6,911)	21,170	84,211	30	105,411
Operating and administrative expenses (including tax)	-	-	-	-	-	(58,007)	(58,007)
Depreciation	-	-	-	-	-	(1,038)	(1,038)
Segment results	(3,264)	31,345	6,911	21,170	84,211	(59,015)	46,366

5 SEGMENT INFORMATION (CONTINUED)

Segment statement of income for the year ended 31 December 2017

	Property USD ('000)	*Casualty USD ('000)*	*Other USD ('000)*	*Total Insurance USD ('000)*	*Investments USD ('000)*	*Un-allocated (Expenses)/ Income USD ('000)*	*Total USD ('000)*
Gross written premiums	554,802	962,905	107,842	1,625,549	-	-	1,625,549
Premiums ceded to reinsurers	(332,522)	(523,098)	(57,365)	(912,985)	-	-	(912,985)
Net premiums	222,280	439,807	50,477	712,564	-	-	712,564
Movement in net unearned premium reserve	(38,010)	(114,654)	(19,172)	(171,836)	-	-	(171,836)
Net earned premiums	184,270	325,153	31,305	540,728	-	-	540,728
Gross claims paid	(335,909)	(390,903)	(28,619)	(755,431)	-	-	(755,431)
Reinsurance recoveries	192,932	201,354	16,771	411,057	-	-	411,057
Movement in net outstanding claims	(59,958)	(87,489)	(25,667)	(173,114)	-	-	(173,114)
Commission income	82,545	113,208	17,151	212,904	-	-	212,904
Commission expense	(121,155)	(156,552)	(25,212)	(302,919)	-	-	(302,919)
Net underwriting results	(57,275)	4,771	(14,271)	(66,775)	-	-	(66,775)
Investment income	-	-	-	-	68,517	117	68,634
Finance costs	-	-	-	-	(6,017)	-	(6,017)
Net investment income	-	-	-	-	62,500	117	62,617
Total income	(57,275)	4,771	(14,271)	(66,775)	62,500	117	(4,158)
Operating and administrative expenses (including tax)	-	-	-	-	-	(50,761)	(50,761)
Depreciation	-	-	-	-	-	(1,238)	(1,238)
Segment results	(57,275)	4,771	(14,271)	(66,775)	62,500	(51,882)	(56,157)

5 SEGMENT INFORMATION (CONTINUED)

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

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

	2018 USD ('000)	*2017 USD ('000)*
Africa	**11,917**	13,341
Americas	**480,052**	271,391
Asia	**94,739**	146,272
Europe	**1,247,757**	1,185,500
Oceania	**7,149**	9,045
	1,841,614	1,625,549

6 NET INVESTMENT INCOME

	2018 USD ('000)	*2017 USD ('000)*
Interest income	**93,658**	62,971
Dividend income	**1,706**	1,844
Net realised gain on sale of investments	**6,066**	1,181
Unrealised gains on investments	**1,891**	-
Other net gains	**962**	7,542
	104,284	73,538
Less: Advisory fee	**(8,424)**	(4,904)
Finance costs (Note 21)	**(11,618)**	(6,017)
	84,241	62,617

7 OPERATING AND ADMINISTRATIVE EXPENSES

	2018 USD ('000)	*2017 USD ('000)*
Employees related costs	**37,863**	33,418
Rental expenses	**4,839**	4,981
Maintenance & IT expenses	**2,244**	3,280
Travel expenses	**1,953**	2,211
Professional fees	**4,420**	1,496
Board of directors' remuneration (Note 8)	**468**	415
Miscellaneous expenses	**6,363**	4,843
	58,150	50,644

8 BOARD OF DIRECTORS' REMUNERATION

In accordance with the Bye-Laws of the Company, the Board of Directors' remuneration for the year 2018 has been proposed at USD 468,000 (2017: USD 415,000).

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in banks and on hand, as well as short-term time deposits which are considered as highly liquid investments that are readily convertible to known amounts of cash.

	2018 ***USD ('000)***	*2017* *USD ('000)*
Cash in hand and bank balances	**149,465**	89,551
Time deposits – short term	**872,436**	874,146
	1,021,901	963,697

Time deposits are held for various periods of maturity which are less than three months. These time deposits are subject to an insignificant risk of change in value. As such, the carrying values disclosed above reasonably represent the approximate fair value of the deposits as at 31 December 2018 and 2017. The average interest rate on time deposits is 4.027% (2017: 3.25%) per annum.

10 INSURANCE AND OTHER RECEIVABLES

	2018 ***USD ('000)***	*2017* *USD ('000)*
Insurance receivables from insurance companies		
In course of collection	**817,087**	29,403
Not yet due	**599,209**	656,875
Provision for doubtful receivables	**(403)**	(355)
	1,415,893	685,923
Other receivables		
Deferred commission	**296,741**	199,835
Deposit premium/Funds withheld	**21,953**	419,022
Accrued income[1]	**-**	13,221
Loan receivable	**6,068**	6,515
Prepayments	**1,865**	986
Loan to coverholders	**86,198**	265
Advances against indemnity	**20**	58
Others receivables	**1,360**	1,948
	414,205	641,850
	1,830,098	1,327,773

[1] For 2018, accrued investment income has not been separately disclosed. Rather this amount has been included as a part of the fair value of investments.

Movements in the deferred commission during the year are as follows:

	2018 ***USD ('000)***	*2017* *USD ('000)*
Balance at 1 January	**199,835**	144,112
Expensed during the year	**(609,976)**	(302,919)
Expenses deferred during the year	**575,604**	358,642
Movement on acquisition	**131,278**	-
Balance at 31 December	**296,741**	199,835

11 REINSURANCE AND INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2018 *USD ('000)*	*2017* *USD ('000)*
Gross reinsurance and insurance contract liabilities		
Claims reported unsettled	**1,900,698**	998,797
Claims incurred but not reported	**797,671**	698,361
Unearned premiums	**952,135**	837,021
	3,650,504	2,534,179
Retrocedants share of reinsurance and insurance contract liabilities		
Claims reported unsettled	**1,246,345**	715,770
Claims incurred but not reported	**547,399**	504,229
Unearned premiums	**495,195**	464,660
	2,288,940	1,684,659
Net reinsurance and insurance contract liabilities		
Claims reported unsettled	**654,353**	283,027
Claims incurred but not reported	**250,271**	194,132
Unearned premiums	**456,940**	372,361
	1,361,564	849,520

Movements in claims provision during the year are as follows:

	2018			*2017*		
	Reinsurance /Insurance contract liabilities	***Retrocedant's share***	***Net***	*Reinsurance contract liabilities*	*Retrocedant's share*	*Net*
	USD ('000)	***USD ('000)***	***USD ('000)***	*USD ('000)*	*USD ('000)*	*USD ('000)*
As at 1 January	**1,697,158**	**1,219,999**	**477,159**	962,304	675,268	287,036
Claims incurred and other movement during the year	**1,183,486**	**529,049**	**654,437**	1,496,449	955,983	540,466
Claims paid during the year	**(1,202,949)**	**(789,188)**	**(413,761)**	(755,431)	(411,057)	(344,374)
Movement on acquisition	**1,162,709**	**833,885**	**328,824**	-	-	-
Portfolio transfer	**(89,578)**	**-**	**(89,578)**	-	-	-
Foreign exchange	**(52,457)**	**-**	**(52,457)**	(6,164)	(195)	(5,969)
As at 31 December	**2,698,369**	**1,793,745**	**904,624**	1,697,158	1,219,999	477,159

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

	2018			*2017*		
	Reinsurance /Insurance contract liabilities	***Retrocedant's share***	***Net***	*Reinsurance contract liabilities*	*Retrocedant's share*	*Net*
	USD ('000)	***USD ('000)***	***USD ('000)***	*USD ('000)*	*USD ('000)*	*USD ('000)*
As at 1 January	**837,021**	**464,660**	**372,361**	646,381	454,559	191,822
Premiums written	**1,841,614**	**870,653**	**970,962**	1,625,549	912,985	712,564
Premiums earned	**(2,297,442)**	**(1,337,288)**	**(960,154)**	(1,434,909)	(902,884)	(532,025)
Movement on acquisition	**569,624**	**497,170**	**72,454**	-	-	-
Foreign exchange	**1,318**	**-**	**1,318**	-	-	-
As at 31 December	**952,135**	**495,195**	**456,940**	837,021	464,660	372,361

12 INVESTMENTS

Investments are carried at fair value as at 31 December 2018 and 2017.

	2018 ***USD ('000)***	*2017* *USD ('000)*
Financial investments at fair value through profit or loss (FVTPL)	**95,952**	-
Financial investments at fair value through other comprehensive income (FVOCI)	**1,349,634**	-
Held-for-trading ("HFT") investments	-	16,003
Available for sale ("AFS") investments	-	1,129,898
	1,445,586	1,145,901

	2018	
	FVTPL ***USD ('000)***	***FVOCI*** ***USD ('000)***
Managed funds	**23,505**	-
Derivative financial investments (Note 20)	**1,363**	-
Bonds	**61,445**	**1,349,634**
Qatar public shareholding companies	**561**	-
Unquoted shares and private equity	**9,078**	-
Total	**95,952**	**1,349,634**

	2017	
	HFT *USD ('000)*	*AFS* *USD ('000)*
Managed funds	12,009	-
Derivative financial investments (Note 20)	3,994	-
Qatari public shareholding companies	-	33,105
Bonds	-	1,090,513
Unquoted shares and private equity	-	6,280
Total	16,003	1,129,898

During the year, the Group has not recorded impairment loss on certain available for sale investments.

13 INVESTMENT PROPERTIES

	2018 ***USD ('000)***
Net carrying value as at January 1	-
Effect of acquisition of subsidiaries (Note 30)	**6,157**
FX difference	**(250)**
Additions during the year	**193**
Disposal during the year	**(207)**
Net carrying value as at December 31	**5,893**

13 INVESTMENT PROPERTIES (CONTINUED)

The fair values of investment properties were estimated by the Management's external valuer, by reference to market evidence of recent transactions for similar properties. The estimated fair value of the above investment properties as at 31 December 2018 was USD 5,893,000 (2017: USD Nil).

The fair value measurement of all investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

The Group has no restrictions on the realisability of its investment properties. There was no rental income or direct operating expenses arising in respect of such properties during the year.

14 PROPERTY AND EQUIPMENT

	Furniture and fixtures USD ('000)	*Motor vehicle USD ('000)*	*Total USD ('000)*
Cost:			
At 1 January 2017	5,628	55	5,683
Additions during the year	1,758	-	1,758
Disposals during the year	-	(55)	(55)
At 31 December 2017	7,386	-	7,386
Acquired through business combination	111	-	111
Additions during the year	276	-	276
Disposals during the year	(51)	-	(51)
Effect of foreign currency exchange difference	1	-	1
At 31 December 2018	**7,723**	**-**	**7,723**
Accumulated depreciation:			
At 1 January 2017	3,283	55	3,338
Charge during the year	1,238	-	1,238
Disposals during the year	-	(55)	(55)
At 31 December 2017	4,521	-	4,521
Acquired through business combination	41	-	41
Charge during the year	1,038	-	1,038
Disposals during the year	-	-	-
At 31 December 2018	**5,600**	**-**	**5,600**
Net book value:			
At 31 December 2018	**2,123**	**-**	**2,123**
At 31 December 2017	2,865	-	2,865

15 GOODWILL AND INTANGIBLE ASSETS

Movements in goodwill and intangible assets were as follows:

	Framework agreement USD ('000)	*Non-life insurance Licenses USD ('000)*	*Total USD ('000)*
At 31 December 2017	-	-	-
Acquisition *(Note 30)*	60,090	10,436	70,526
FX difference	(1,705)	(1,166)	(2,871)
Amortization expenses	-	-	-
At 31 December 2018	**58,385**	**9,270**	**67,655**

Effective July 25, 2018, the Company acquired 100% of the share capital of Markerstudy's Gibraltar-based insurance companies.

(i) Intangible assets

The following table summarizes the intangible assets recorded in connection with the business acquisitions:

	Amount USD ('000)	***Economic useful Life***
Framework Agreement	60,090	10 years
Non-life insurance Licenses	7,565	Indefinite
Intangible assets as of the acquisition date	67,655	
Accumulated amortisation expenses	-	
Net Intangible assets as at 31 December 2018	67,655	

(a) Framework agreement

As part of the transaction related to the sale and purchase of the Carriers, Qatar Re and Markerstudy Group have signed a framework agreement ("Framework Agreement"), which will govern their relationship for the coming 10-year period. Under this agreement, Markerstudy Group (MSG) will place their insurance business exclusively with the Carriers. The Framework Agreement has been valued by applying a discounted cashflow method ("DCF"). Additional work is going on to determine the fair value of the Framework agreement on the acquisition date. Thus, the intangible asset may be subsequently adjusted, with a corresponding adjustment to goodwill prior to 25 July 2019 (one year after the transaction). The fair value of the agreement is therefore considered provisional pending receipt of the final valuations and expected to have an estimated useful life of 10 years.

(b) Non-life insurance Licenses

Markerstudy Group insurance companies have regulatory licenses from the Gibraltar Financial Services Commission (GFSC) to underwrite non-life insurance business in the United Kingdom and the rest of the European Union. The cost of establishing a licensed insurance company in Gibraltar has been estimated to be approximately USD 2,530,000. Accordingly, under the Cost Approach, the value of the licenses of the Carriers were estimated to be USD 7,565,000. The non-life insurance licenses of the Carriers have an indefinite useful life. As with the Framework Agreement, the fair value of the licenses is provisional pending receipt of the final valuations for those assets.

16 PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2018 *USD ('000)*	*2017* *USD ('000)*
Deferred commission	**163,081**	112,694
Due to reinsurance companies	**333,514**	8,132
Other payables:		
Employees' end of service benefits (Note 17)	**618**	664
Board of directors remuneration payable	**398**	383
Derivative financial liabilities (Note 20)	**6,145**	1,019
Accrued interest on subordinated perpetual debt	**6,621**	6,744
Accrued expenses	**55,071**	4,034
Other liabilities	**1,518**	1,662
Taxes and levies	**54,639**	-
	621,605	135,332

The carrying values disclosed above reasonable approximate the fair values at the reporting date.

Movements in the deferred commission during the year are as follows:

	2018 *USD ('000)*	*2017* *USD ('000)*
Balance at 1 January	**112,694**	100,870
Earned during the year	**(325,427)**	(212,904)
Commission deferred during the year	**280,716**	224,728
Movement on acquisition	**95,098**	-
Balance at 31 December	**163,081**	112,694

17 EMPLOYEES' END OF SERVICE BENEFITS

	2018 *USD ('000)*	*2017* *USD ('000)*
As at 1 January	**664**	537
Charge for the year	**242**	165
Adjusted during the year	**13**	-
Payment made during the year	**(301)**	(38)
As at 31 December	**618**	664

Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the Group entities, whichever is higher, and is calculated using the employee's salary and period of service at the reporting date.

18 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table compares the fair values of the financial instruments to their carrying values:

	2018		*2017*	
	Carrying amount USD ('000)	***Fair value USD ('000)***	*Carrying amount USD ('000)*	*Fair value USD ('000)*
Cash and cash equivalents	**1,021,901**	**1,021,901**	963,697	963,697
Loans and receivables:				
Insurance and other receivables	**1,531,492**	**1,531,492**	1,111,725	1,111,725
Reinsurance contract assets	**1,793,744**	**1,793,744**	1,219,999	1,219,999
Investments:				
Financial investments at fair value through profit or loss (FVTPL)	**95,952**	**95,952**	-	-
Financial investments at fair value through other comprehensive income (FVOCI)	**1,349,634**	**1,349,634**	-	-
Held for trading	-	-	16,003	16,003
Available for sale investments	-	-	1,129,898	1,129,898
	5,792,723	**5,792,723**	4,441,322	4,441,322
Reinsurance and other payables	**403,885**	**403,885**	22,638	22,638
Short term borrowings	**487,967**	**487,967**	319,379	319,379
Due to related parties	**792,417**	**792,417**	987,330	987,330
Insurance contract liabilities	**2,698,369**	**2,698,369**	1,697,158	1,697,158
	4,382,638	**4,382,638**	3,026,505	3,026,505

19 DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs

19 DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS (CONTINUED)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period

31 December 2018	*Level 1 USD ('000)*	*Level 2 USD ('000)*	*Level 3 USD ('000)*	*Total fair value USD ('000)*
Derivative assets	**-**	**1,363**	**-**	**1,363**
Investment securities	**1,309,461**	**125,685**	**9,078**	**1,444,223**
	1,309,461	**127,048**	**9,078**	**1,445,586**
31 December 2017				
Derivative assets	-	3,994	-	3,994
Investment securities	1,123,618	12,009	6,280	1,141,907
	1,123,618	16,003	6,280	1,145,901

Valuation techniques

Listed investment in equity securities and debt securities.

When fair values of publicly traded equity securities and debt securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy.

Managed funds

In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, the Group categorises these investments as Level 2.

Over-the-counter derivatives

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs are mainly options contracts.

Unlisted equity investments

Unquoted available for sale equity investments are recorded at fair values adopting market approach and applying price to book value multiple to arrive at the value of investment. There are no active markets for these investments and the Group intends to hold them for the long term

Unlisted managed funds

The Group invests in managed funds, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets.

The Group's investment managers considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Group classifies these funds as Level 3.

19 DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS (CONTINUED)

Level 3 reconciliation
The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

	2018 USD ('000)	*2017 USD ('000)*
Balance at 1 January	**6,280**	-
Additions during the year	**3,508**	5,342
Net (loss)/gain in fair value reserve	**(710)**	938
Balance at 31 December	**9,078**	6,280

Sensitivity analysis
For the fair value of equity securities, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have following effects on net profit.

			2018		*2017*
	Changes in assumption		***USD ('000)***		*USD ('000)*
NAV of the funds	5%		454		314
NAV of the funds	-5%		(454)		(314)

20 DERIVATIVE INSTRUMENTS

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forward contracts, swaps and equity options structures.

The Company employs various derivative option strategies which are intended for hedging currency exposure, managing interest rate and insurance risk, and for income enhancement. The derivative financial instruments held by the Company include forward contracts, swaps and equity options structures.

The Group has purchased interest rate swap contracts to match the expected liability duration of insurance contracts, to swap floating rates of the backing assets, to fixed rates over the main duration of the related insurance contracts. The Group also manages exchange rate risk on the Group's net currency exposure by using forward exchange contracts. Both of these strategies are considered as economic hedges, but do not meet the hedge accounting criteria.

Derivative products valued using a valuation technique with market observable inputs (Level 2) are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of

derivatives are measured. The notional amounts indicate the volume of transactions outstanding at yearend and are neither indicative of the market risk nor credit risk.

31 December 2018	***Notional amount USD ('000)***	***Derivative asset USD ('000)***	***Derivative liability USD ('000)***	***Within 3 months USD ('000)***	***3 to 12 months USD ('000)***
Over the Counter Derivatives:					
Credit and interest rate derivatives	**429,850**	**887**	**(5,752)**	**-**	**429,850**
Equity derivatives	**24,041**	**-**	**(393)**	**24,041**	
Foreign exchange derivatives	**119,807**	**476**	**-**	**112,307**	**7,500**
	573,698	**1,363**	**(6,145)**	**136,348**	**437,350**

20 DERIVATIVE INSTRUMENTS (CONTINUED)

31 December 2017	*Notional amount USD ('000)*	*Derivative asset USD ('000)*	*Derivative liability USD ('000)*	*Within 3 months USD ('000)*	*3 to 12 months USD ('000)*
Over the Counter Derivatives:					
Credit and interest rate derivatives	311,550	503	-	-	311,550
Equity derivatives	41,592	1,892	-	41,592	-
Foreign exchange derivatives	196,819	1,599	(1,019)	186,819	10,000
	549,961	3,994	(1,019)	228,411	321,550

Various option strategies are employed for hedging, risk management and income enhancement. All calls sold are on assets held by the Group.

Foreign Exchange derivatives
Foreign exchange derivatives include forwards and options and are contractual agreements in relation to a specified currency at a specified price and date in the future. The options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, at a pre-determined price. The interest rate and credit derivative contracts are over-the-counter contracts transacted in the over-the-counter market and changes in contract values are settled daily.

Equity derivatives
Equity derivatives include options and swaps and are contractual agreements in relation to a specified equity instrument at a specified price and date in the future. The equity derivative contracts are over-the-counter contracts transacted in the over-the-counter market and changes in contract values are settled daily.

Credit and interest rate derivatives
Credit and interest rate derivatives include swap contracts to exchange one set of cash flows for another, generally fixed and floating interest payments in a single currency without exchanging principal. In the case of credit default swaps the counterparties agree to make payments with respect to defined credit events based on specified notional amounts. The forward exchange derivative contracts are over-the-counter contracts transacted in the over-the-counter market and changes in contract values are settled daily.

21 SHORT TERM BORROWINGS

As part of the Group's margin trading strategy, the Group uses borrowings to finance its fixed income securities.

	2018 (USD '000)	*2017 (USD '000)*
Borrowings against fixed income securities	**487,967**	319,379

The net increase in short term borrowings consists of a net borrowing of USD 168,588,000 in the form of cash. There was nil impact on the net increase due to any impact of foreign currency exchange differences.

As of 31 December 2018 and 2017, interest expense related to these short term borrowings amounted to USD 11,618,000 and USD 6,017,000, respectively.

22 DUE TO RELATED PARTIES

The balance due to related parties predominantly represents balances due to Qatar Insurance Company S.A.Q (the "ultimate parent company") in respect of internal quota share arrangements in place with the Group entities. The pricing policies and terms of these transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. The significant transactions with related parties are disclosed in Note 27.

23 SHARE CAPITAL

	2018		*2017*	
	No of shares	***USD***	*No of shares*	*USD*
Authorised				
Ordinary shares of USD 1 each	**1,200,000**	**1,200,000**	1,200,000	1,200,000
Issued and fully paid up				
Ordinary shares of USD 1 each	**1,000,000**	**1,000,000**	1,000,000	1,000,000

There has been no movement in the authorised or issued and fully paid share capital of the Company during 2018 and 2017.

24 CONTRIBUTED SURPLUS

The Contributed surplus reflects the amount of consideration received from QIC Capital L.L.C. in excess of the par value of the shares issued.

The Contributed surplus recognised in the consolidated statement of financial position is distributable to the shareholders as a dividend in the normal course of business, subject to certain restrictions and provisions in this respect that are specified in the Bermuda Companies Act 1981.

The Contributed surplus as at 31 December 2018 and 2017 is comprised of the following:

		2018	*2017*
		USD ('000)	*USD ('000)*
(i)	On cancellation of shares after change in legal domicile	**251,651**	251,651
(ii)	On merger of Antares Re business as on 31 December 2015	**243,717**	243,717
(iii)	Contribution from Parent Company during 2016	**200,000**	200,000
		695,368	695,368

25 FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of financial instruments measured at fair value through other comprehensive income in 2018 and (2017: Available for sale financial assets) as per the accounting policies detailed in Note 3.

26 PERPETUAL SUBORDINATED TIER 2 FIXED RATE NOTES

On 13 March 2017, the Company issued USD 450 million Regulation S Perpetual non-call 5.5 year subordinated Tier 2 notes into the international debt capital markets listed on the Irish Stock Exchange. The carrying value of the notes is USD 443,845,000 (2017 USD 443,845,000), which reflects the net proceeds received after related expenses.

These notes meet the characteristics as set forth in the Insurance (Eligible Capital) Rules 2012 issued in Bermuda to be treated as Tier 2 capital. The notes are guaranteed on a subordinated basis by QIC. The initial coupon has been set at 4.95% per annum and will remain fixed until the first call date in September 2022, when it will be reset on the basis of the mid swap rates for U.S. dollar interest rate swap transactions with a maturity of five years plus the initial margin, and will be reset every five years thereafter. The notes have been assigned an issue rating of 'BBB+' by S&P Global Ratings and have provided eligible Tier 2 capital to further enhance the Company's financial strength.

27 RELATED PARTY TRANSACTIONS

a) Transaction with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Group and companies of which they are key management personnel. Parties are also considered to be related through common ownership. The Group enters into transactions with its associate and key management personnel in the normal course of business. The pricing policies and terms of these transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions

Significant related party transactions included reinsurance agreements with QIC.

The significant related party transactions were as follows:

	2018 ***USD ('000)***	*2017* *USD ('000)*
Reinsurance premium to QIC	**(805,515)**	(798,423)
Reinsurance recoveries from QIC	**1,154,805**	394,235
Commission from QIC	**260,490**	204,481
Amounts due to related parties	**792,417**	987,330

b) Compensation of key management personnel

	2018 ***USD('000)***	*2017* *USD('000)*
Salaries and other short term benefits	**1,520**	1,821
Employees' end of service benefits	**88**	90
Total	**1,608**	1,911

Outstanding related party balances at reporting date are unsecured and interest free. Also, the Board of Directors' remuneration proposed for the year ended 31 December 2018 is detailed in Note 8.

28 RISK MANAGEMENT

The Group in the normal course of its business derives its revenue mainly from assuming and managing insurance risks for profit while also benefiting from the investment return on its invested asset base. The Group is mainly exposed to the following risks;

- Insurance risk,
- Market, investment, liquidity and concentration risk
- Credit risk,
- Operational and systems risk
- Group risk,
- Strategic risk and
- Reputational

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. In order to achieve this it is of critical importance to have efficient and effective risk management systems in place.

28 RISK MANAGEMENT (CONTINUED)

a) Governance framework

The Group has established a sound and effective Corporate Governance framework that is appropriate to the size, nature, complexity and risk profile of the Group. The governance framework supports the sound and prudent management of the Company and its subsidiaries' activities to ensure the protection of policyholders and other applicable stakeholders.

A risk management function has been established with clear terms of reference from the board of directors, its committees and the associated executive management committees, across the Group. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Group policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

The Board of Directors approves the Group's risk appetite and risk management policies, and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limits its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital management framework

Capital adequacy is maintained with reference to risk appetite and tolerance statements, which reference regulatory and internal model solvency ratios.

The Group is required by the Bermuda Monetary Authority ("BMA") to hold available statutory capital and surplus of an amount that is equal to or exceeds the Enhanced Capital Requirement ("ECR"). The ECR is the higher of the Bermuda Solvency Capital Requirement ("BSCR") (the BMA standard formula capital requirement) and the Minimum Margin of Solvency ("MSM"). The BSCR forms part of the regulatory regime that has achieved equivalence with Europe's Solvency II.

Balances and ratios at the end of 2017 indicate the requirements and compliance for 2018. At the end of 2017, the Company had total available statutory capital and surplus of USD 1,211.9 million (USD 810.0 million at the end of 2016) exceeding the MSM and ECR by USD 602.3 million and resulting in an ECR ratio of 199% (173% at the end of 2016). The Company's BSCR coverage ratio was 401% at the end of 2017 (436% at the end of 2016).

QEL is required by the MFSA to hold available own funds of an amount that is equal to or exceeds the Minimum Capital Requirement ("MCR") and Solvency Capital Requirement, in accordance with the Solvency II Directive. The SCR is calculated using the Solvency II standard formula. Similarly the Gibraltar based subsidiaries are required by the GFSC to hold available own funds of an amount that is equal to or exceeds the Minimum Capital Requirement ("MCR") and Solvency Capital Requirement, in accordance with the Solvency II Directive.

Companies within the Group remain compliant with regulatory capital requirements.

(c) Risk Management framework

The Group has established a risk management framework by which risks are identified, measured, mitigated and managed. The Group has established a framework of internal controls which seeks to mitigate risks and limit the probability of losses or other adverse outcomes during the implementation of the strategic objectives and business plan, as well as providing a framework for the overall management and oversight of the business. The controls are rated according to their effectiveness of both design and performance, with independent challenge provided by the risk management function. Internal audit also provides independent assurance. The framework provides a basis for understanding the risks that the Group is exposed to and its ability to identity, assess, control and mitigate these risks.

(d) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, and subsequent development of long-tail claims.

28 RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy and guidelines together with the adequate reinsurance arrangements and proactive management of claims. The concentration of insurance risk exposure is mitigated by careful selection and implementation of the underwriting strategy of the Group. Underwriting limits are in place to enforce risk selection criteria, and an exposure management framework monitors and limits exposure to peak peril zones within the context of defined risk appetite.

Insurance risk can be broken down into underwriting (including catastrophe risk) and reserve risk.
Underwriting risk relates to the unexpired risk on business already incepted or bound and reflects the risk that premiums are not sufficient to cover future losses. The Group manages underwriting risk through various governance and control mechanisms under the oversight of the Underwriting and Portfolio Management Committee ("UPMC"), which comprises senior representatives from the underwriting, risk, claims and actuarial functions.

Detailed policies and guidelines exist relating to:

- Underwriting authorities;
- Pricing methodologies; and
- Risk accumulations.

In relation to catastrophe risk pricing utilises proprietary pricing tools blended with internal analysis. Aggregate catastrophe risk is subject to defined limits which are monitored using an internally developed exposure management tool.

The Group purchases both treaty and facultative reinsurance to manage insurance risk in the context of the defined risk appetite, to protect the capital base and manage volatility.

The Group actively manages claims in order to identify, measure and manage losses while delivering on obligations to policyholders.

The reserve risk element of insurance risk arises from the inherent uncertainty surrounding the adequacy of the reserves or technical provisions set aside to cover the insurance liabilities. The risk is that the current reserves, including those incurred but not yet reported, are not sufficient to cover the run off of the claims which have already occurred.

Reserve risk exposure is managed within the actuarial function and through defined reserving practices which are overseen and approved by the Reserving Committee, which comprises various members of the executive management team. The Reserving Committee ultimately determines the management best estimate or reserves based on advice from the reserving actuaries and consultation with underwriters, exposure management and claims. If there were any disagreement between the Reserving Committee and the loss reserve specialist (a role defined under Bermuda regulatory requirements), these would be escalated to the Board for resolution.

Key assumptions
The principal assumption underlying the liability estimates is that the Group'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.

28 RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

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

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

	Change in assumptions	*Impact on liabilities USD ('000)*	*Impact on net profit USD ('000)*	*Impact on equity USD ('000)*
31 December 2018				
Incurred claim cost	10%	**72,496**	**(72,496)**	-
Incurred claim cost	-10%	**(72,496)**	**72,496**	-
31 December 2017				
Incurred claim cost	10%	51,749	(51,749)	-
Incurred claim cost	-10%	(51,749)	51,749	-

Claims development table
The Group maintains reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

With the exception of the proportional and non-proportional reinsurance business, an accident-year basis is considered to be most appropriate for the business written by the Group. Given the nature of reinsurance claims and the difficulties in identifying an accident year for each reported claim, these claims are reported separately and aggregated by reporting year (reporting year basis) – that is, with reference to the year in which the Group was notified of the claims. This presentation is different from the basis used for the claims development tables for the other insurance claims and entities of the Group, where the reference is to the actual date of the event that caused the claim (accident-year basis).

28 RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

Claims development table (continued)

The following table represents claims development on gross claims. The impact of ceded outward reinsurance has not been taken into consideration.

Details	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*Total*
At the end of the accident year	358,366	617,436	784,993	1,288,503	1,744,475	1,948,331	**6,742,104**
One year later	386,887	699.078	749,745	1,390,187	1,620,750		
Two years later	363,018	707,388	808,111	1,408,798			
Three years later	385,223	732,505	817,929				
Four years later	392,119	714,776					
Five years later	394,758						
Estimate of cumulative claims	**394,758**	**714,776**	**817,929**	**1,408,798**	**1,620,750**	**1,948,331**	**6,905,342**
Claims paid in same year	(85,919)	(198,821)	(194,672)	(426,307)	(415,047)	(508,186)	**(1,828,953)**
One year later	(218,461)	(410,799)	(440,843)	(981,734)	(953,760)		
Two years later	(261,543)	(463,126)	(536,127)	(1,287,401)			
Three years later	(291,285)	(495,453)	(615,625)				
Four years later	(311,478)	(543,427)					
Five years later	(329,022)						
Cumulative claims paid	**(329,022)**	**(543,427)**	**(615,625)**	**(1,287,401)**	**(953,760)**	**(508,186)**	**(4,237,421)**
Total gross claims liabilities 2013 – 2018	**65,736**	**171,349**	**202,304**	**121,397**	**666,990**	**1,440,145**	**2,667,921**
Reserve in respect of prior years (Before 2013)	--	--	--	--	--	--	**30,448**
Total gross claims liabilities							**2,698,369**
Current estimate of surplus/(deficiency)	(36,392)	(97,340)	(32,936)	(120,295)	123,725		
Surplus/(deficiency) % of initial gross reserve	(10%)	(16%)	(4%)	(9%)	7%		

The acquisition of QEL has added USD 229,008,000 of gross claims liabilities to the above totals, comprised of USD 488,414,000 of gross cumulative claims less USD 259,406,000 of total claims paid. The Markerstudy Group has added USD 525,293,000 of gross claims liabilities with total claims of USD 3,438,795,000 less USD 2,913,502,000 of total paid losses.

(e) Market risk

Market risk can cause the Group to suffer losses due to unfavourable developments in the financial markets. Market risk arises as a result of our currency exposures, interest rate and default risk on the fixed income portfolio, and equity price risk as a result of the equities that the Group holds within the investment portfolio.

The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and bond markets. In addition, The Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees. The Group's investment guidelines and associated mandates are intended to limit its exposures to market risk and volatility, and the adherence to these guidelines and their continued suitability are overseen by the Investment Committee of the Board. In particular the Group limits its exposure to assets such as fixed income securities, cash deposits, private

equity, hedge funds and other (non-fixed income/non-equity) managed funds. However the investment portfolio is heavily weighted towards the fixed income securities and cash deposits. The allocation to other investments such as equities and alternatives is less than 2% (2017: 3%) of the overall invested assets.

28 RISK MANAGEMENT (CONTINUED)

(e) Market risk (continued)

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument (asset or liability) will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk to the extent that its assets are denominated in different currencies to its liabilities. Certain currency risk is managed through hedging. The table below summarises the Group's exposure to foreign currency exchange rate risk at reporting date by categorising financial assets and liabilities by major currencies.

31 December 2018

	USD and Others* USD ('000)	***QAR USD ('000)***	***GBP USD ('000)***	***Euro USD ('000)***	***Total USD ('000)***
Cash and cash equivalents	**18,874**	**867,413**	**132,573**	**3,041**	**1,021,901**
Insurance and other receivables	**278,530**	**728**	**1,435,144**	**115,696**	**1,830,098**
Investments	**1,438,562**	**561**	**-**	**6,463**	**1,445,586**
Reinsurance contract assets	**834,316**	**-**	**1,307,185**	**147,439**	**2,288,940**
Total Assets	**2,570,282**	**868,702**	**2,874,902**	**272,639**	**6,586,525**
Provisions, reinsurance and other payables	**209,132**	**5**	**407,786**	**4,682**	**621,605**
Short term borrowings	**487,967**	**-**	**-**	**-**	**487,967**
Reinsurance contract liabilities	**1,101,826**	**-**	**2,266,630**	**282,048**	**3,650,504**
Total Liabilities	**1,798,925**	**5**	**2,674,416**	**286,730**	**4,760,076**

31 December 2017

	USD and Others USD ('000)*	*QAR USD ('000)*	*GBP USD ('000)*	*Euro USD ('000)*	*Total USD ('000)*
Cash and cash equivalents	82,415	880,851	219	212	963,697
Insurance and other receivables	276,082	11,036	895,448	145,207	1,327,773
Investments	1,106,755	33,106	-	6,040	1,145,901
Reinsurance contract assets	1,682,024	-	119	2,516	1,684,659
Total Assets	3,147,276	924,993	895,786	153,975	5,122,030
Provisions, reinsurance and other payables	129,692	1,599	3,180	861	135,332
Short term borrowings	319,379	-	-	-	319,379
Reinsurance contract liabilities	1,020,127	-	1,240,918	273,134	2,534,179
Total Liabilities	1,469,198	1,599	1,244,098	273,995	2,988,890

*Others mainly represents exposure in minor currencies with immaterial currency risk.

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, it is necessary to change the variables on an individual basis.

28 RISK MANAGEMENT (CONTINUED)

(e) Market risk (continued)

(i) Currency risk (continued)

	Changes in variables	*Impact on profit or loss*	
		31 December 2018 USD ('000)	*31 December 2017 USD ('000)*
Currency			
Euro	+10%	**(1,694)**	(6,499)
GBP	+10%	**55,982**	(25,404)
		54,288	(31,903)
Euro	-10%	**1,694**	6,499
GBP	-10%	**(55,982)**	25,404
		(54,288)	31,903

The method used for deriving sensitivity information and significant variables did not change from the previous year.

(ii) Interest rate risk

Interest rate risk is the risk of changes in market interest rates which may reduce the overall return of interest bearing securities, or reduce the fair market value of the fixed income security. The Group invests in fixed income securities, and holds cash deposits that are subject to interest rate risk.

The Group'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 Group manages and limits its interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated, and reacting to these changes in a timely and efficient manner. The Group diversifies its portfolio such that it has no significant concentration of interest rate risk.

The sensitivity of the Group's investment portfolio to interest rate movements is detailed below, assuming linear movements in interest rates:

	31 December 2018		*31 December 2017*	
Changes in variables	***Impact on profit or loss (USD '000)***	***Impact on equity (USD '000)***	*Impact on profit or loss (USD '000)*	*Impact on equity (USD '000)*
+50 basis points	**(565)**	**(16,503)**	(5,968)	(24,008)
-50 basis points	**565**	**16,503**	5,968	24,008

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

28 RISK MANAGEMENT (CONTINUED)

(e) Market risk (continued)

(ii) Interest rate risk (continued)

31 December 2018

	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	**1,021,901**	**-**	**-**	**1,021,901**	**4.03%**
Debt securities	**349,301**	**311,114**	**750,664**	**1,411,079**	**4.49%**
	1,371,202	**311,114**	**750,664**	**2,432,980**	
Short term borrowings	**487,967**	**-**	**-**	**487,967**	

31 December 2017

	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	963,697	-	-	963,697	2.97%
Debt securities	112,960	256,512	721,041	1,090,513	3.16%
	1,076,657	256,512	721,041	2,054,210	
Short term borrowings	319,379	-	-	319,379	

(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 Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Group's risk appetite and tolerance statements, and Investment Mandate limit the exposures to equity price 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.

		31 December 2018		*31 December 2017*	
	Changes in variables	***Impact on profit or loss (USD '000)***	***Impact on equity (USD '000)***	*Impact on profit or loss (USD '000)*	*Impact on equity (USD '000)*
Qatar Market	+10%	**56**	**56**	-	3,311
International Markets	+10%	**3,258**	**3,258**	1,201	-
Qatar Market	-10%	**(56)**	**(56)**	-	(3,311)
International Markets	-10%	**(3,258)**	**(3,258)**	(1,201)	-

The method used for deriving sensitivity information and significant variables did not change from the previous year.

28 RISK MANAGEMENT (CONTINUED)

(f) Investment risk

Investment risk can arise as a result of implementing an inappropriate investment strategy. The Group's investment strategy is tailored to meet the Group's business needs, objectives and regulatory requirements.

The Investment Committee of the Board approves and monitors the implementation of the Investment Mandate by the investment advisors, taking into consideration these objectives and requirements. An update on the investment portfolio is included in the Investment Committee meeting materials. Asset allocations are compared to minimum and maximum allocations and constraints per the investment mandate and, risk appetite and, tolerance statements to ensure compliance.

(g) Liquidity risk

Liquidity risk arises when the Group is unable to meet its payment obligations as and when they fall due. The Group measures this risk by assessing the appropriateness of the controls in place to monitor and manage liquidity risk exposure and supplement this with cash flow analysis arising from stress testing exercises such as those conducted as part of the Exposure Management Framework.

Liquidity risk is managed through the Group's overall investment strategy which is focused on allocations to more liquid instruments and wider monitoring of the overall liquidity profile of the investment portfolio. At an operational level liquidity requirements are monitored on a regular basis, and management ensures that sufficient funds are available to meet any commitments as they arise. The actuarial team provide information to the investment managers on a quarterly basis relating to the maturity profile of the insurance liabilities in order to facilitate appropriate asset allocations. The Group risk appetite statements in relation to liquidity require that the average duration of assets is no longer than the average duration of liabilities.

Maturity profiles
The table below summarises the maturity profile of the financial assets and financial liabilities of the Group 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.

31 December 2018	*Up to a year USD ('000)*	*1 to 5 years USD ('000)*	*Over 5 years USD ('000)*	*Total USD ('000)*
Financial assets : Non derivatives				
Financial investments at fair value through profit or loss (FVTPL)	**28,894**	**10,855**	**21,696**	**61,445**
Financial investments at fair value through other comprehensive income (FVOCI)	**320,406**	**300,260**	**728,968**	**1,349,634**
Insurance and other receivables	**1,240,959**	**290,533**	**-**	**1,531,492**
Reinsurance contract assets	**1,104,152**	**687,488**	**2,104**	**1,793,744**
Cash and cash equivalents	**1,021,901**	**-**	**-**	**1,021,901**
	3,716,312	**1,289,136**	**752,768**	**5,758,216**
Financial liabilities : Non derivatives				
Reinsurance and other payables	**403,885**	**-**	**-**	**403,885**
Short term borrowings	**487,967**	**-**	**-**	**487,967**
Due to related parties	**730,813**	**61,604**	**-**	**792,417**
Reinsurance contract liabilities	**1,053,015**	**1,642,216**	**3,139**	**2,698,369**
	2,675,680	**1,703,820**	**3,139**	**4,382,639**

28 RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Maturity profiles (continued)

31 December 2017	*Up to a year USD ('000)*	*1 to 5 years USD ('000)*	*Over 5 years USD ('000)*	*Total USD ('000)*
Financial assets : Non derivatives				
Available-for-sale investments - Debt securities	112,960	256,512	721,041	1,090,513
Qatari public shareholding companies	33,105	-	-	33,105
Quoted shares - International	6,280	-	-	6,280
Held for trading investments -Managed Funds	12,009	-	-	12,009
Insurance and other receivables	772,187	352,758	-	1,124,945
Reinsurance contract assets	364,987	854,154	858	1,219,999
Cash and cash equivalents	963,697	-	-	963,697
	2,265,225	1,463,424	721,899	4,450,548
Financial liabilities : Non derivatives				
Reinsurance and other payables	22,638	-	-	22,638
Short term borrowings	319,379	-	-	319,379
Due to related parties	776,265	211,065	-	987,330
Reinsurance contract liabilities	498,332	1,197,612	1,214	1,697,158
	1,616,614	1,408,677	1,214	3,026,505

(h) Concentration risk

Concentration risk can arise when the investment portfolio is not appropriately diversified across counterparties, geographical regions and industries. Concentration risk is measured with reference to the Group's risk appetite and tolerance statements, which limit the concentration of asset holdings on a regional, country and counterparty level, ensuring the investment portfolio is appropriately diversified.

(i) Credit risk

Credit risk arises from both the underwriting and investment activities of the Group. This represents the risk of counterparties defaulting and not being able to make payments resulting in losses to Qatar Re. A credit risk event can occur due to the failure of reinsurers to settle claims in full, failure of a broker to pass on premiums or failure of a bank or invested party to return cash.

To monitor the Group's credit risk, the outwards reinsurance team actively monitors exposure to single reinsurance counterparties. The technical accounting department prepare and monitor aged debt reports, establishing provisions for amounts which are not expected to be recovered due to default. Exposure to brokers is captured within a dashboard by the underwriting department. The security rating of all banking and custodian counterparties is actively monitored. For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.

To minimise our exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsures. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment. Minimum security ratings or collateral requirements are in place for reinsurance counterparties. An approval process is in place for accepting all new reinsurers and banking counterparties, with minimum security ratings also in place for all banking and investment counterparties. All brokers are subject to due diligence procedures.

28 RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

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

31 December 2018	***< 30 days USD ('000)***	***31 to 60 days USD ('000)***	***61 to 90 days USD ('000)***	***91 to 120 days USD ('000)***	***Above 120 days USD ('000)***	***Total USD ('000)***
Cash and cash equivalents	**1,021,901**	-	-	-	-	**1,021,901**
Insurance premiums and other receivables	**1,499,425**	**11,812**	**5,900**	**3,900**	**10,455**	**1,531,492**
	2,521,326	**11,812**	**5,900**	**3,900**	**10,455**	**2,553,393**

31 December 2017	*< 30 days USD ('000)*	*31 to 60 days USD ('000)*	*61 to 90 days USD ('000)*	*91 to 120 days USD ('000)*	*Above 120 days USD ('000)*	*Total USD ('000)*
Cash and cash equivalents	963,697	-	-	-	-	963,697
Insurance premiums and other receivables	1,312,339	(733)	4,078	4,009	276	1,319,969
	2,276,036	(733)	4,078	4,009	276	2,283,666

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

31 December 2018	***AAA USD ('000)***	***AA USD ('000)***	***A USD ('000)***	***BBB & Below USD ('000)***	***Unrated USD ('000)***	***Total USD ('000)***
Cash and cash equivalents	**-**	**210,008**	**811,893**	**-**	**-**	**1,021,901**
Debt securities	**-**	**98,558**	**570,706**	**620,940**	**120,875**	**1,411,079**

31 December 2017	*AAA USD ('000)*	*AA USD ('000)*	*A USD ('000)*	*BBB & Below USD ('000)*	*Unrated USD ('000)*	*Total USD ('000)*
Cash and cash equivalents	-	-	963,697	-	-	963,697
Debt securities	8,927	132,769	402,594	510,417	35,806	1,090,513

Impaired financial assets
At 31 December 2018 there are impaired insurance receivables of USD 403,000 (2017: USD 355,000). 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 Group records all impairment allowances for insurance receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses on insurance receivables is as follows:

28 RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Impaired financial assets (continued)

	2018 *USD ('000)*	*2017* *USD ('000)*
At 1 January	**355**	355
Charged during the year	**48**	-
At 31 December (Note 6)	**403**	355

(j) Operational and systems risk

Operational risk arises from the failure of or inadequate processes, people or systems or from external events that impact the operational capability of the Group. The Group monitors operational risk exposures through its risk register and emerging risk processes which are overseen by the Risk & Capital Committee of the Board. This risk register and emerging risk process also cover strategic risks, reputational risks and legal and litigation risks.

The Group seeks to manage operational risk exposure through the implementation of a robust internal control framework and an effective governance framework. The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process. The Group has established business continuity and disaster recovery plans.

(k) Group risk

Group risk represents the risk arising as a result of being part of an insurance group, including exposures resulting from intra-group transactions. It arises from the relationship that the Group has with the parent group, including the reinsurance cover provided by QIC and the dependence on the QIC group credit rating and parental guarantee. Operational dependency is limited to only one material intra-group outsourcing contract relating to investment advisory services.

(l) Strategic risk

The Group has identified a number of strategic risks within the risk register, covering risks to the planning, communication and execution of the business plan, and risks associated with the management and availability of capital. The risk of business strategy failure is mitigated through the review and sign off of the Group's business plan by the Board and alignment of the business plan, risk appetite, capital requirements and underwriting guidelines. Stress and scenario testing helps to identify and assess the risks to the business plan. All Board members and Officers of the Group are subject to requirements to confirm that they are fit and proper to discharge their responsibilities, which includes providing the necessary strategic direction.

(m) Reputational risk

Reputational risk arises as a result of adverse publicity regarding business practices or associations. The risk is mitigated through the Group's corporate governance framework and Board oversight of its strategies, policies and risk appetite. The Group is committed to complying with sound business practices and compliance with applicable laws and regulations.

(n) Capital management

At any given time, the Group's capital management policy is to maintain a strong capital base to support the business plan based on its own view of the capital required, based on the principles applicable to operating in a Solvency 2 equivalent jurisdiction, while also meeting prescribed regulatory capital requirements.

Qatar Re has formally documented a Capital Management Action Plan which identifies various thresholds of capital depletion and the associated remedial action that the Group anticipates it would undertake in the defined scenarios.

Solvency self-assessment procedures are in place which enable the Group to identify, assess, monitor, manage, and report on the current and emerging risks faced, and to determine the capital necessary to ensure that overall solvency needs are met at all times.

29 CONTINGENCIES, GUARANTEES AND COMMITMENTS

The Group, like most other insurance and reinsurance companies, is continuously involved in legal proceedings, claims and litigation in the normal course of business. As at 31 December 2018 there are no additional contingent liabilities to establish in relation to any of these legal proceedings.

The Group is also subject to insurance solvency regulations in all of the territories in which it issues insurance contracts. There are no contingencies associated with the Group's compliance or lack of compliance with these regulations.

Letters of Credit:
The Company provides letters of credit to clients as additional security for outstanding recoverables from the Company. The majority of these clients represent U.S. insurance companies. As the Company is not an admitted reinsurer in the U.S., the terms of certain U.S. reinsurance contracts require Qatar Re to provide letters of credit or other terms of collateral to clients in order that such clients may include any recoverable balances from Qatar Re as an admitted asset in their U.S. statutory financial statements. The Company has in place unsecured letter of credit facilities with various highly rated banking institutions that are for the provision of a letter of credit mostly in favour of U.S. ceding companies, as well as ceding companies from other jurisdictions. These banking institutions are all included on the NAIC List of Qualified U.S. Financial Institutions. Letters of Credit under these facilities totalling USD 361,389,000 were issued as at 31 December 2018 (2017: USD 182,323,000).

Guarantee:
The Company has provided a guarantee to QEL, whereby the Company guarantees certain amounts payable to QEL by specified third parties. The intent of the guarantee is to transfer credit risk to the Company as a part of a capital management strategy. The maximum amount payable under the guarantee as at 31 December 2018 was USD 103,000,000 (2017: 53,000,000).

The Company has provided a guarantee to ZIP and MICL, whereby the Company guarantees certain amounts payable to ZIP and MICL by a specified third party. The intent of the guarantee is to transfer credit risk to the Company as a part of a capital management strategy. The maximum amount payable under the guarantee as at 31 December 2018 was approximately USD 190,590,000.

Operating leases:
The Group has entered into commercial operating leases on certain properties in relation to its various offices in Bermuda, London, Zurich, Singapore and Dubai. The future aggregated minimum lease payments required by the Group under the non-cancellable operating leases over the expected lease terms are as follows:

	2018	*2017*
	USD ('000)	*USD ('000)*
Within one year	**4,410**	4,598
After one year but not more than five years	**5,671**	9,585
More than five years	**1,110**	1,503
	11,192	15,686

30 BUSINESS COMBINATION

Markerstudy Group Insurance Companies

On 25 July 2018, the Company acquired 100% of the share capital of Markerstudy's Gibraltar-based insurance companies, as mentioned in detail in Note 12, with the objective of generating a higher proportion of lower volatility business.

The fair value of the identifiable assets and liabilities of Markerstudy Group insurance companies as at the date of acquisition, as per IFRS 3, *Business Combination,* were the following;

	Provisional fair value recognized on acquisition
	USD ('000)
Assets	
Cash and cash equivalents	**95,449**
Insurance and other receivables	**840,783**
Reinsurance contract assets	**786,933**
Investments	**179,017**
Investments properties	**6,157**
Intangible assets	**70,526**
Total assets	**1,978,864**
Liabilities	
Insurance contract liabilities	**1,138,961**
Provisions, reinsurance and other payables	**692,924**
Total liabilities	**1,831,885**
Total identifiable net assets at fair value acquired (provisional)	**146,980**

Intangible assets comprises the value of the Framework Agreement signed, as part of the deal, between Qatar Re and Markerstudy Group which will govern their relationship for the coming 10-year period. Under this agreement, Markerstudy Group will place their insurance business exclusively with the Carriers. We valued the Framework Agreement by applying a discounted cash flow ("DCF") method.

Insurance contract assets and liabilities are stated at book value as a reasonable approximation of fair value having had regard for the weighted average of future cash values, taking account of the time value of money. The discounted estimate makes allowance for all policies that were legally obliged to be written at the valuation date, even if they had not incepted, as well as claims handling and other expenses incurred in running the business. Furthermore, the estimate eliminates any elements of prudence but allows for a margin to reflect the amount that another insurer would require in order to take over the insurance obligations.

Intangible assets also includes the licenses that these entities to underwrite non-life insurance business in the United Kingdom. We estimated the cost of establishing a regulated (i.e., licensed) non-life insurance company in Gibraltar to be approximately USD 2,530,000.

Additional work is going on to determine fair value of the Framework agreement on the acquisition date. Thus, the intangible asset may be subsequently adjusted, with a corresponding adjustment to goodwill prior to 25 July 2019 (one year after the transaction).

The fair value of the framework agreement and license is provisional pending receipt of the final valuations for those assets.

Net cash outflow on acquisition of subsidiary

	2018
	USD ('000)
Consideration paid in cash	147,950
Less: Cash and cash equivalent balances acquired	(95,449)
	52,501

30 BUSINESS COMBINATION (CONTINUED)

Markerstudy Group Insurance Companies (continued)

Transaction and Acquisition-Related Costs
Transaction costs associated with the acquisition have been expensed and are included in the operating and administrative expenses in the consolidated statement of income and are part of operating cash flows in the consolidated statement of cash flows.

From the date of acquisition, Markerstudy Group insurance companies have contributed the equivalent of USD 149,658,000 of Gross premium written and USD 12,055,000 to the net profit of the Group.

QIC Europe Limited ("QEL")

On September 1, 2018, the shares of QEL were transferred from QIC to QIC Capital LLC (QICC) and thereafter from QICC to the Company for consideration equal to the equity of QEL. The transaction is considered as transaction under common control and hence, there is no goodwill, or gain or loss recognised in the profit or loss of the Group. Transaction has been accounted for on carrying value as at date of acquisition (01 September 2018). As on 31 December 2018, QEL is a wholly owned subsidiary of Qatar Re.

The carrying value of the identifiable assets and liabilities of QEL as at the date of acquisition were as follows;

	Carrying value recognized on acquisition
	USD ('000)
Assets	
Cash and cash equivalents	**30,065**
Insurance and other receivables	**294,748**
Reinsurance contract assets	**544,120**
Investments	**57,958**
Property and equipment	**71**
Total assets	**926,962**
Liabilities	
Insurance contract liabilities	**593,372**
Provisions, reinsurance and other payables	**106,551**
Amounts due to related parties	**171,032**
Total liabilities	**870,954**
Total identifiable net assets acquired	**56,008**

Net cash outflow on acquisition of subsidiary

	2018
	USD ('000)
Consideration paid in cash	55,458
Less: Cash and cash equivalent balances acquired	(30,065)
	25, 393

From the date of acquisition, QEL has contributed the equivalent of USD 108,641,000 of Gross premium written and a loss of (USD 7,524,000) to the net profit of the Group.

Statement of Changes in Equity

Breakup of adjustment reflected in statement of changes in equity in respect of acquisition of subsidiaries is as follows:

	USD *('000)*
Fair value reserve - QEL	730
Retained earnings – QEL	1,280
ECL day 1 adjustment – Markerstudy	(7,126)
Stub amount adjustment - Markerstudy	(2,136)
Total:	**8,712**

31 COMPARATIVE FIGURES

The impact of transition to IFRS 9 is set out in Note 2. In addition, certain comparative figures for the year ended 31 December 2017 have been reclassified to conform to current year presentation and have no impact on the previously reported profit or equity position of the Group.