



A N N U A L
R E P O R T

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Company Profile

Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re, was incorporated in 1981 in the Kingdom of Bahrain as an Exempt Company with a fully paid-up share capital of US\$ 15 million. Following the successful development of the business and the excellent results of the operation, the authorised capital was eventually increased to US\$ 500 million and the issued and paid-up capital increased to US\$ 250 million in 2016.

Nest Investments (Holdings) Ltd, Jersey, owns the majority of the issued share capital (99.1%).

The Company's profile of shareholding throughout the year ended 31 December 2019 is shown in the table below:

| Name of shareholder | Nationality | No. of shares at the beginning and end of the year |
|-------------------------------------|-------------|--|
| Nest Investments (Holdings) Limited | Jersey | 2,477,675 |
| Ghazi Kamel Abunahl | Cyprus | 22,325 |
| Total | | 2,500,000 |

In addition to its history of successful operations over the years, Trust Re enjoys strong relationships with blue chip, international Reinsurers.

Trust Re operates in the Afro-Asian markets (including the Middle East and North Africa [MENA] region, North Asia and South-East Asia), Russia, Central and Eastern Europe (CEE), South Eastern Europe (SEE) and Commonwealth of Independent States (CIS) countries, Cyprus and Turkey. Trust Re is a reinsurance company writing life and non-life Facultative and Treaty business.

From its early days, Trust Re has positioned itself to play a leading role in Engineering, Property, as well as Oil & Energy insurance business. The Company has gained particular knowledge and expertise in the Afro-Asian markets to the extent that the Federation of Afro-Asian Insurers & Reinsurers (FAIR) chose Trust Re to manage the FAIR Oil & Energy Insurance Syndicate.

VISION

"Reinsurer of Choice"

MISSION

To be innovative in providing reinsurance solutions and prompt responses, always.

VALUES

Trust
Dynamic
Team Spirit

A Message from the Chairman

On behalf of the Board of Directors, I am pleased to present the Directors' Report for the year ended 31 December 2019.

During the fourth quarter, the Central Bank of Bahrain (CBB) approved the appointments of Trust Re's new Board of Directors for a 3-year term. The independent directors are: Bakary Kamara (Chairman), Yassir Albaharna (Vice Chairman), Khadijah Binti Abdullah, Prof. Chris Parsons, Lakhdar Moussi and Philippos Mannaris. Talal Al Zain completes the seven-member Board as an executive director; he left the Company on 8th April 2021 after the expiry of his fixed term contract.

The structures of the Board's oversight committees, namely Nomination, Remuneration and Corporate Governance Committee (NR&CGC), Audit Committee (AC) and Risk Committee (RC) were also finalised during fourth quarter. The three oversight committees are a fundamental part of sound corporate governance and risk management.

By engaging with and leveraging the unique set of interests and capabilities of each member, we make the most of our collective competence as an independent governing body. Together, our intellectual rigour ensures that Trust Re has the right measures in place to mitigate risks.

Since its appointment, the Board engaged with the shareholder to complete the execution of the repayment plan. As disclosed in the 2018 annual report, the Shareholder had committed to repay US\$ 130 million in cash by 31st December 2019. An initial payment of US\$ 10 million was paid, however, due to ongoing economic challenges which were compounded by the Covid-19 pandemic, the shareholder approached the CBB in December 2019 agreeing to a revised plan for settlement of the whole receivable amount of US\$ 350 million.

The execution of the full repayment plan was initiated by setting up a Property Trust for the transferral of real estate assets with fair value of US\$ 120 million in various worldwide locations. The process of due diligence and other legal requirements took approximately 6 months to complete and the required documents for the Trustees control were agreed in September 2020.

For the remaining balance, the Company also entered into an agreement with the shareholder for various shareholdings in profitable group entities as well as a swap of certain assets. Following Board approval, the Central Bank of Bahrain provided no objection to the transfer subject to independent external valuations. This process was completed in late December 2020 and the final settlement based on these independent valuations was agreed by both parties in February 2021. This final agreement is intended to cover the liquidity and solvency requirements of the Company.

The Audit report qualification made by PwC refers to the recoverability of US\$ 350 million being dependent on the transfer of assets occurring. The ownership of these assets was transferred to Trust Re on 2nd March 2021 and their independent fair value is US\$ 44 million in excess of the required amount.

This process, together with the audit review as well as regulatory clearance, culminated in the delay for the issuance of the 2019 financial statements.

As Chairman, it is my duty to encourage and promote diversity which is added value to the strength of the Board. The purpose of having a multi-skilled Board, supported by a multinational management, is of paramount importance considering the multitude of stakeholders which Trust Re has. By instilling sound corporate governance practices, we safeguard the interests of these stakeholders, especially policyholders.

Lastly, on behalf of the Board of Directors, I would like to express our sincere thanks to all clients, producers and business associates and staff for their constant backing. We are particularly thankful to the Central Bank of Bahrain for its commitment and support.

Bakary Kamara

Chairman

10 May 2021

Corporate Governance Report

Board of Directors

As of date of issue of this report, the Board of Directors consists of a majority of independent Directors; six independent Directors and one Executive Director. The Board's role is to set the overall strategic direction, approve business plans and monitor the overall performance of the business against the approved plans and within a framework of sound corporate governance. As per the Central Bank of Bahrain's approval, the Board members are elected for three-year terms. The Board comprises a variety of professionals from diverse backgrounds including the fields of actuarial, (re)insurance, management and education; it provides oversight functions through various Board Committees.

During 2019, due to end of term or withdrawal, the Board changed three times. The current Board of Directors held six meetings, five of which took place in the Kingdom of Bahrain and one in the Republic of Cyprus.

Board Composition

| Name | Position | Committee Membership | Since | Term expires | Attendance in 2019 |
|-------------------------|---------------------------------------|---|--------------|---------------------------------------|--------------------|
| Bakary Kamara | Chairman, Independent Director | Member of NR&CGC | 12-Mar-2013 | Current Board member | 6 |
| Yasir Albaharna | Vice Chairman, Independent Director | Member of NR&CGC, AC and RC | 20-Nov-2019 | Current Board member | 2 |
| Prof. Chris Parsons | Independent Director | Chairman of RC, Member of AC | 28-Aug-2017 | Current Board member | 6 |
| Lakhdar Moussi | Independent Director | Chairman of AC, Member of RC | 27-Jul-2019 | Current Board member | 4 |
| Philippos Mannaris | Independent Director | Chairman of NR&CGC, Member of AC and RC | 27-Jul-2019 | Current Board member | 4 |
| Khadijah Binti Abdullah | Independent Director | Member of NR&CGC, AC and RC | 20-Nov-2019 | Current Board member | 2 |
| Talal Al Zain | Executive Director | Non-voting Member of NR&CGC | 20-Nov-2019 | Term expired on 8-Apr-2021 | 2 |
| Stavros Stavrou | Ex-Chairman, Independent Director | Ex-Chairman of AC and RC | 12-Mar-2013 | Resigned on 11-Oct -2019 | 4 |
| Fetoo Al Zayani | Independent Director | Ex-Member of N&RC | 25-May-17 | Resigned on 14-Oct-2019 | 4 |
| Kamel Abu Nahl | Ex-Chairman, Non-Independent Director | Ex-Member of N&RC | 21-Dec-2006 | Resigned at AGM held on 17-April-2019 | 2 |
| Frixos Savvides | Independent Director | Ex- Chairman of N&RC | 10-Mar-2009 | Term expired on 17-April-2019 | 2 |
| Ashraf Ibrahim | Corporate Board Secretary | - | 12-Dec-2019 | Current Board secretary | 2 |
| Chris Georghiades | Corporate Board Secretary | - | 27-June-2019 | 19-Nov-2019 | 2 |
| Mehran Eftekhari | Corporate Board Secretary | - | - | Resigned at AGM held on 17-April-2019 | 2 |
| Ferid Benbouzid | Independent Director | Member of N&RC | 10-Mar-2009 | Term expired on 17-April-2019 | 2 |

Board Biographies

Bakary Kamara

Bakary is presently Executive Chairman of Rema Broking Mauritanie (formerly Gras Savoye Mauritania) and an international consultant. A postgraduate in insurance law, he holds and has held numerous professional affiliations and directorships for more than 45 years. For 18 years, until 2011, Bakary was Managing Director/Chief Executive Officer of the African Reinsurance Corporation. He holds positions on boards of various companies and banks, namely:

- Africa Retakaful
- Africa Re (South Africa)
- Orabank – Mauritania
- Rema Broking Mauritanie (ex-Gras Savoye Mauritania)

Yassir Albaharna

With a renowned international profile and wide marketing network, Yassir has more than 30 years of in-depth experience in the reinsurance industry. He was Chief Executive Officer of Arab Insurance Group (Arig), where he managed, developed and motivated a professional team and built up both life and non-life reinsurance portfolios. Mr. Yassir Albaharna holds board membership of the following organisations:

- Federation of Afro Asian Insurers and Reinsurers (FAIR) Cairo
- Bahrain Institute of Banking & Finance (BIBF)
- Association of Insurers and Reinsurers of Developing Countries (AIRDC), Philippines

Prof. Chris Parsons

A full Professor in Insurance at Cass Business School, City University of London, Chris Parsons has engaged continuously with the insurance industry for more than 40 years as a practitioner, researcher, consultant and writer. He has delivered consultancy services and training courses in the UK and around 30 other countries.

Lakhdar Moussi

Lakhdar's career spans 45 years in executive management positions in various sectors including Audit, Banking, Manufacturing, Contracting and Insurance in Canada, Europe and the GCC. In his capacity as consultant and executive manager, he has spent more than 25 years involved in strategy and business development initiatives in the insurance industry.

Philippos Mannaris

Philippos is a First-Class Honours graduate in Actuarial Studies from the London School of Economics and Political Science. He is a qualified actuary and a member of the Association of Actuaries of Cyprus and the UK. Since 2003, he has been with Aon Hewitt and is currently Partner of Aon's Global Retirement & Investments Practice. His experience working with GCC clients spans almost 20 years. He also holds board membership of ForexTime Limited.

Khadijah Binti Abdullah

Currently Director of the Financial Education Network at Bank Negara Malaysia, Khadijah has a strong track record in leadership, transforming teams and organisational culture. Her experience in Education and Training is vast. Previous appointments include CEO of the Performance and Delivery Unit (PADU) at the Ministry of Education in Malaysia and CEO of the Malaysian Insurance Institute (MII). She also holds board membership of AIA General Insurance Berhad, Malaysia.

Talal Al Zain

Talal is the Founder and Director of Jisr Capital. Previously he was Chief Executive Officer and board member, member of Global Executive Committee and co-Head of Alternative Investments of PineBridge Investments Middle East BSC (c). Prior to that he was a founding board member and the CEO of Bahrain's Sovereign Wealth Fund, Bahrain Mumtalakat Holding Company, managing over US\$10bn of assets. He was the Managing Director and co-Head of Placement and Relationship management at Investcorp Bank BSC. He also holds board membership of ALUBAF Bank, Bahrain.

Board Committees

The Board's oversight committees, namely Nomination, Remuneration & Corporate Governance, Audit and Risk are an essential part of the Corporate Governance and Risk Management processes, ensuring that the Company always conducts itself appropriately whilst achieving commercial targets.

NOMINATION, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

| Name | Position |
|-------------------------|--|
| Philippos Mannaris | Chairman |
| Bakary Kamara | Member |
| Khadijah Binti Abdullah | Member |
| Yassir Albaharna | Member |
| Talal Al Zain | Non-voting member (until 8th April 2021) |

The Committee's primary functions are to: assess required and necessary competencies of Board members, review Board succession plans, evaluate the Board's performance and make recommendations to the Board on executive remuneration and incentive policies, remuneration packages of senior management, recruitment, retention and termination policies for senior management, incentive schemes, pension arrangements and the remuneration framework for the directors. Lastly, the Committee monitors the overall organisational structure and ensures that executive succession planning is in place.

AUDIT COMMITTEE

| Name | Position |
|-------------------------|----------|
| Lakhdar Moussi | Chairman |
| Prof. Chris Parsons | Member |
| Khadijah Binti Abdullah | Member |
| Philippos Mannaris | Member |
| Yassir Albaharna | Member |

The Audit Committee is set up and recognised in accordance with the company's corporate governance principles. The key purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

The Committee's duties include:

- a. Reviewing the company's accounting and financial practices,
- b. Reviewing the integrity of the company's financial and internal controls and financial statements,
- c. Reviewing the company's compliance with legal and regulatory requirements,
- d. Recommending the appointment, compensation and oversight of the company's External Auditor,
- e. Recommending the appointment of the Internal Auditor and reviewing the performance of the company's internal audit function.

RISK COMMITTEE

| Name | Position |
|-------------------------|-----------------|
| Prof. Chris Parsons | Chairman |
| Khadijah Binti Abdullah | Member |
| Lakhdar Moussi | Member |
| Philippos Mannaris | Member |
| Yassir Albaharna | Member |

The Risk Committee, (whose members are the same as those of the Audit Committee, but with a different Chairman), assists the Board in fulfilling its oversight responsibilities for the identification, analysis, assessment, embedding and management of all the risks which the Company faces, both operational and technical, and which may have a financial impact on operations.

The Committee also monitors the compliance and anti-money laundering processes with the laws and regulations as well as the code of conduct.

Corporate Governance

Trust Re understands the importance of corporate governance as an effective means of regulating relationships among its stakeholders and the community.

Trust Re maintains strong corporate governance and complies with established rules and regulations.

The purpose of the corporate governance policy is to define the criteria and guidelines that should govern the organisation and operation of the oversight bodies of Trust Re for implementation of the applicable regulations, best-practice corporate governance principles and Bahrain regulatory requirements.

Trust Re's Board of Directors consists of a majority of highly qualified and experienced independent directors. In its efforts to maintain an 'independent' thought and approach by its non-executive directors, it makes sure no single member serves more than three 3-year terms.

The Board of Directors sets out the long-term goals of the organisation, within a legal framework that complies with established standards, for the executives to follow. The Board's three oversight committees, Audit, Risk and Nomination, Remuneration & Corporate Governance, monitor the conduct of the organisation in relation to its operations with a view of risk mitigation. The committees are structured so as to make best use of the expertise of all of the directors. Each committee addresses relevant matters and makes recommendations to the full Board for final approval.

Trust Re is regulated and licensed by the Central Bank of Bahrain (CBB). Corporate Governance guidelines are regularly reviewed/enhanced in accordance with the Corporate Governance Code of the Central Bank of Bahrain and the High-Level Controls module of the CBB rulebook, making sure that awareness of the latest guidelines is fully maintained and the necessary forms and reports are filled in, in an accurate and timely manner.

In 2019, Trust Re engaged the services of a leading law firm in the region to review its corporate governance framework. The Company will consider recommendations made in the report in a swift manner.

Company Structure

Trust Re remains structured around four corporate pillars namely Risk, Operations, Finance and Corporate Services, each with its own specific focus. The executive heads of the four pillars report directly to the Group Chief Executive Officer (GCEO).

The Corporate Risk pillar functions include Actuarial and Risk Management, which provides the business intelligence to strike the right balance between risk and reward; Retrocession and Legal function, which is responsible for managing all the legal aspects of the Company. The reporting line from both the Audit and Compliance functions remain independent with a direct reporting line to their respective Board Oversight Committee.

The Corporate Operations pillar comprises Underwriting, Technical Accounts, Quality Process Improvement, Risk Engineering and Claims departments and is the core of the Trust Re Group. The Head Office and our branches based in Cyprus, Labuan (Malaysia) and Morocco each have their own territorial scope with regard to underwriting along with a Liaison Office based in India.

The Corporate Finance pillar incorporates strong Finance, Credit Control and Asset Management functions that support underwriting by providing administrative and investment expertise.

The Corporate Services pillar incorporates five distinct service functions, namely:

- The Administration and Property function, ensures maximum efficiency in our day-to-day activities and maintenance of our office premises;
- The Planning & Performance Management function ensures that the approved Company business plan is applied throughout each department through relevant KPIs;
- The Corporate Communication function is responsible for maximising the value of our established and well recognised brand;
- The Information Technology (IT) function supports the whole operation by means of optimal IT infrastructure and solutions;
- The Human Resources function provides human capital services including employee relations, talent acquisition, compensation and benefits, learning and development.

Risk-based Internal Audit

The Internal Audit Department (IAD) is an independent, objective, assurance and consulting function, which helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

During 2019, Trust Re has outsourced its Internal Audit function. In this regard, proposals were requested from various entities; after considerable due diligence and scrutiny, Protiviti Member Firm Bahrain SPC (Protiviti) was appointed as our Internal Auditors for a period of two years. Protiviti will report directly to the Board's Audit Committee and will have unrestricted access to the Company's information.

Protiviti is a global consulting firm and is a wholly-owned subsidiary of Robert Half, with a presence in 25 countries across the globe.

Protiviti's assignment consists of two phases, Risk Assessment & Internal Audit Planning and Execution; as of the date of this report, the second phase of the assignment is in full progress.

Regulatory and Financial Crime Compliance

Trust Re remains committed to adhering to all laws and regulations and acknowledges that it is important to conduct business in compliance with ethical standards and in accordance with best international practices, particularly from regulatory and financial crime compliance perspectives.

In line with regulatory requirements the Compliance Function in Trust Re is an independent function. It is headed by the Compliance Officer & MLRO who is responsible to implement the board-approved Compliance Programme, in an effective manner and has independent functional reporting to the full Board of Directors.

The Compliance Department continuously strives to improve the level of compliance in all its activities by providing advice to the Board, senior management and staff on regulatory requirements impacting the Company, as well as maintaining the implementation of the regulatory provisions governing the reinsurance business, especially the rules pertaining to integrity and conduct that apply to that activity.

As a focal contact with the regulatory authorities, the Compliance Department continues its active role in building a relationship of trust with all regulators by strengthening the communication channels and disclosing transparent and accurate information related to the Company's operations and financial affairs.

Although the risks of money laundering and financing of terrorism activities in the reinsurance industry remain relatively low, the Compliance Department continues to exercise vigilance regarding any evolving threats that could potentially undermine confidence in Trust Re.

Key measures undertaken in Trust Re relating to AML/CFT include having the following in place:

- Policy and procedures approved by the Board of Directors which outline the roles and responsibilities;
- Customer due diligence for all customers including implementation of the KYC policy and enhanced due diligence for customers and transactions presenting higher risk;
- Due diligence on all existing and prospective customers, vendors or third parties that the Company deals or intends to deal with; the coverage extends to beneficial owners and shareholders;
- Record keeping of all identification details obtained for the purpose of customer identification;
- Screening of individuals and entities against applicable international sanction regimes and local blacklist to ensure that Trust Re does not deal with any sanctioned individuals/entities;
- Maintaining a list of High-Risk Countries based on a 'Heat Map' which was built on a score-based assessment over all countries, taking into consideration the exposure of Financial Crime main protocols;
- Reporting to relevant competent authorities in a timely and comprehensive manner on all identified suspicious activities where there are reasonable grounds to suspect that a financial crime offence has been or is being committed.

On a yearly basis, the Compliance Department conducts a staff training and awareness programme on Regulatory and Financial Crime Compliance. The training is designed to provide staff with a greater understanding of regulatory compliance, money laundering, terrorism financing, sanctions, suspicious transaction reporting and compliance role in its prevention. Emphasis is also placed on anti-bribery and corruption, as well as to privacy and personal data protection.

In 2019, the Compliance Department enhanced its customer due diligence measures with regard to customers identified as high risk such as involvement of Politically Exposed Persons, customers associated with high risk countries and any adverse media based on screening checks.

The Compliance Department has also developed and identified several countries which pose higher risk to the Company based on a "Heat Map" built on a score-based assessment over all countries, taking into consideration the exposure of Financial Crime main protocols namely:

- Anti-Money Laundering and Terrorist Financing;
- Anti-Bribery and Corruption; and
- Global Sanction regimes (UN, US, EU and UK).

Actuarial and Risk Management

The Actuarial and Risk (A&R) department is responsible for facilitating the implementation of a risk management system and monitoring the Company's Enterprise Risk Management framework.

In 2019, the department continued its risk management review process. That covered multiple areas, including awareness sessions to risk owners and reporting to management. Cyber and data protection risks assessments were performed, also within major projects, to provide input for the improvement of policies and procedures; safeguards were implemented. In addition, training activities were conducted for all users to enhance security and privacy awareness.

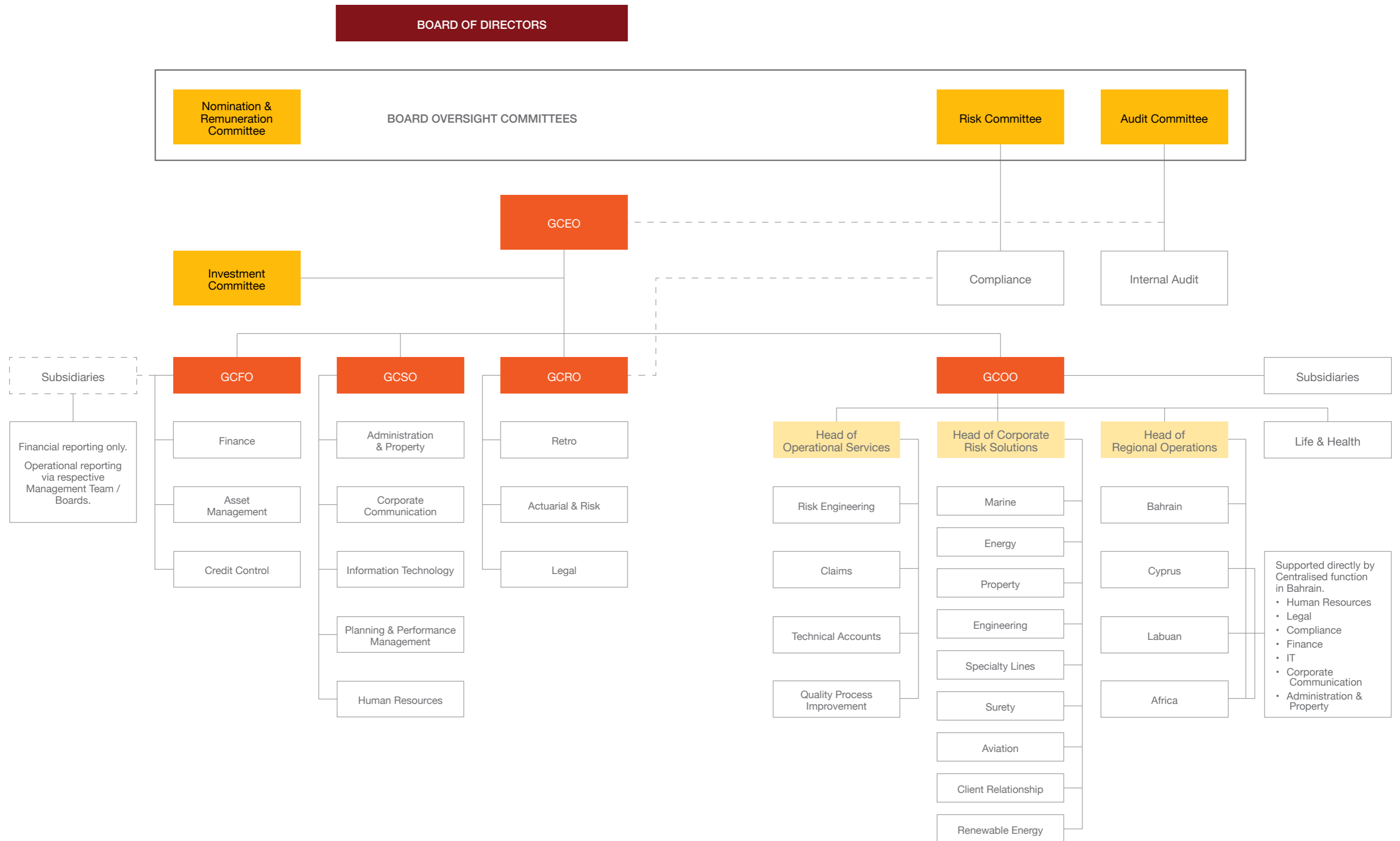
The Company remains committed to closely managing its CAT risk related exposures, regardless of its reduced CAT risk exposures due to premium reductions in 2019.

An updated pricing framework has also been introduced where selected risks are to be evaluated and priced by the Actuarial team before binding. Underwriting and actuarial teams work closely together to mitigate the possibility of underpricing which could ultimately expose the Company's capital base.

At the same time, the Company has implemented a number of measures to align with Bahrain's new Personal Data Protection Law (PDPL) and global data protection regulations (EU GDPR). A gap assessment has also been performed and in 2020, the Company is implementing the updates required to complete the data protection programme.

As part of the continued improvement of the Risk Management System, the SAP Governance Risk and Compliance (GRC) system has been upgraded and expanded to include four additional modules - Key Risk Indicator Management, Incident Management, Issue Management and Policy Management. The new modules have now gone through the User Acceptance Testing (UAT) process stage.

Organisational Chart



A Message from the Directors

As disclosed in the 2018 annual report, the Shareholder had committed to repay US\$ 130 million in cash by 31st December 2019. An initial payment of US\$ 10 million was paid, however, due to ongoing economic challenges which were compounded by the Covid-19 pandemic, the shareholder approached the CBB in December 2019 agreeing to a revised plan for settlement of the whole receivable amount of US\$ 350 million.

The execution of the full repayment plan was initiated by setting up a Property Trust for the transferral of real estate assets with fair value of US\$ 120 million in various worldwide locations. The process of due diligence and other legal requirements took approximately 6 months to complete and the required documents for the Trustees control was agreed in September 2020.

For the remaining balance, the Company also entered into an agreement with the shareholder for various shareholdings in profitable group entities as well as a swap of certain assets. Following Board approval, the Central Bank of Bahrain provided no objection to the transfer subject to independent external valuations. This process was completed in late December 2020 and the final settlement based on these independent valuations was agreed by both parties in February 2021. This final agreement is intended to cover the liquidity and solvency requirements of the Company.

The Audit report qualification made by PwC refers to the recoverability of US\$ 350 million being dependent on the transfer of assets occurring. The ownership of these assets transferred to Trust Re on 2nd March 2021 and their independent fair value is US\$ 44 million in excess of the required amount.

This process, together with the audit review as well as regulatory clearance, culminated in the delay in issuing the 2019 financial statements.

The Company had a regulatory solvency deficit of US\$ 78.8 million as at 31st December 2019; the management has prepared an operational recovery plan to address the solvency deficit and liquidity constraints. As per management estimates, based on current market and business conditions, the Company has the required financial resources to withstand liquidity stress and to meet its liabilities and commitments. The Company has been actively managing its liquidity through a combination of proactive cash management and disposal of investment assets, as and when needed.

In spite of not having a financial strength rating during 2019, Trust Re was able to write Gross Written Premium of US\$ 245 million during the year thanks to its strong, sustainable platform and to the excellent relationships with its business partners developed over the years. Moreover, due to the developments impacting its business, the Group and the Company amended their strategy to reduce their risk appetite through accepting reinsurance contracts in better quality lines of business which will ultimately improve the Company's overall loss ratios and underwriting margins. Furthermore, the Company has undertaken cost rationalisation and consolidation of activities, including closure of branches in Cyprus and Labuan; the ultimate objective of which is for Trust Re to focus on bottom line growth.

As an agile company, we accept that organisational changes happen frequently. Our ability to embrace and manage change by systematically transforming organisational goals, perceptions, processes and technologies is fundamental to our growth and success.

On behalf of the Trust Re team, I am pleased to highlight a few examples of how we successfully embraced change during 2019.

During the year, Trust Re began to revamp its performance management process. The Company adopted a structured approach to engage employees from the outset and to consider their input throughout the change process. Both quantitative and qualitative methods were used to assess the current state and a task force was created to re-engineer the process. The feedback gathered from the different methods, follow up meetings and stakeholders are the foundation on which Trust Re is set to build its new process.

To facilitate transferring and sharing project management knowledge within Trust Re, a Project Management Catalyst (PMC) was set up in the fourth quarter. This is an in-house mentoring programme whereby an engagement is formed between qualified Project Management practitioners within the company and nominated PMCs in each department. Practitioners will overlook the PMCs' progress in gaining project management knowledge and expertise. This programme will assist the company in strengthening the quality of projects' deliverables and outcomes by increasing the qualified resources. It will also help to build a learning culture driven by collaboration and knowledge sharing.

In the 2018 Annual Report, we mentioned the appointment of a leading law firm in the Middle East to assist in the setting up of a comprehensive corporate governance framework, and to recommend measures to ensure maximum transparency and appropriateness of policies and procedures.

We are pleased to share here that in December 2019, the Company received the findings of the report and will consider recommendations in a swift manner to ensure continuous compliance with best practices as well as applicable laws and regulations to which it is subject.

Throughout the year, the Compliance function (which exists as an independent function within Trust Re), contributed strongly to the overall umbrella of governance, risk management and compliance within the Company. Moreover, the Department played an integral role in strengthening relationships with all regulators to whom Trust Re is subject. In addition, Trust Re maximised technology by upgrading its screening software to ensure that it does not deal with any sanctioned parties. In order to identify countries that pose a higher risk to the Company, a heat map was developed taking into consideration the exposure of the main protocols of Financial Crime.

During August 2019, Bahrain's new law on protecting personal data (Personal Data Protection Law, "PDPL") came into effect, introducing changes on how personal data is collected and processed in a secure way in the Kingdom. As a compliant and risk aware organisation, Trust Re implemented a risk- based approach to make sure that privacy and regulatory risks are effectively managed. Moreover, security and privacy training sessions were delivered to all employees to raise awareness and effectively implement policies and procedures which govern the secure processing of personal data.

Although 2019 was an intense year, Trust Re remains committed to providing its employees with training opportunities. Learning and development will always be a core part of Trust Re's talent management strategy. Improving performance at both group and individual level, by building and refining skills and knowledge, ensures adequate alignment with Trust Re's overall strategy and vision to become "Reinsurer of Choice".

Learning in Trust Re takes many forms. In 2019, the team completed approximately 3,900 structured training hours and provided more than 40 hours of on-the-job training for clients and business partners. Additionally, many employees availed of the opportunity to use Trust Re's E-learning platform whereby over 700 LinkedIn learning courses were completed. Team members benefited hugely from the wide range of courses available and were satisfied with implementing the learning outcomes in their day-to-day work. Moreover, the number of staff achieving professional qualifications remains constant and is testament to the driven and dynamic nature of our people.

During 2019, a representative from Trust Re's Human Resources Department was elected to the Leadership and Management Centre Training Advisory Committee of Bahrain Institute of Banking and Finance (BIBF). Sharing knowledge assets with the regional insurance market and beyond has always been a mainstay of the Company's philosophy.

Trust Re continues to focus on customer partnerships and to support the markets in which it operates. In addition to regular market visits undertaken during 2019, team members took part in a number of industry conferences including the 12th India Rendezvous in Mumbai, the 43rd FANAF in Tunis, the 5th LIOG in Beirut, the Pakistan Insurance Institute's InsurTech and Microinsurance Conference in Karachi, the 46th AIO in Johannesburg, the Rendez-Vous de Septembre in Monte Carlo, the 16th SIRC in Singapore and the annual Baden-Baden Reinsurance Congress.

During a number of these events, members from Trust Re's team were invited to participate in panel discussions, reflecting the expertise and standing which the team has built in the market since establishment more than 30 years ago.

In order to optimise organisational efficiency, Trust Re began working on a revised organisational structure during 2019, the aim of which is to streamline roles and responsibilities as well as ensuring adequate governance of the Company's operational and regulatory requirements. The new structure has been approved by the Board of Directors and is in the process of being implemented.

Last but not least, I would like to thank all our employees and business associates; their hard work and partnership are crucial to our success as a company. We are especially grateful to the Central Bank of Bahrain for its constant support to Trust Re and to the staff.

Bakary Kamara

Chairman

10 May 2021

The Group Results

The Group registered a top line of US\$ 299.8 million in FY 2019 (FY 2018: US\$ 525.0 million), the decline in the premiums was due to withdrawals of Trust Re's credit ratings by S&P and A.M. Best. Despite reduction in the top line, the Group's retention ratio improved from 55.7% in FY 2018 to 58.9% in FY 2019. The Group's loss ratio deteriorated from 68.4% in FY 2018 to 83.4% in FY 2019 mainly due to reduction in the quantum of net earned premiums. The Group incurred an underwriting loss of US\$ 44.5 million, which is mainly attributed to a higher loss ratio and high operating expenses.

The Group recorded a net loss of US\$ 80.1 million (FY 2018: US\$ 44.3 million), which was a culmination of deterioration in technical results, high expenses and discounting provisions in respect of receivable from the Shareholder (explained below in Company's Results). The latter is reversable once the settlement agreement is implemented.

The Company's Results

The Company achieved Gross Written Premiums of US\$ 245.2 million in FY 2019 (FY 2018: US\$ 458.8 million); as mentioned above, the decline in the premiums was due to withdrawal of Trust Re's credit ratings by S&P and A.M. Best. The Retention Ratio of the company stood at 61.1% compared to 58.5% in FY 2018. The reduction in quantum of business had a trickle-down impact on the claims; net incurred claims reduced by 21.5% in absolute terms from FY 2018 to FY 2019. However, the Company's loss ratio worsened from 73.0% in FY 2018 to 88.9% in FY 2019 due to substantial reduction in the net earned premiums. The Company incurred an underwriting loss of US\$ 45.9 million, which is attributed to a higher loss ratio, higher acquisition costs (due to additional cost of fronting arrangements) and high operating expenses. The Management of the Company, under the auspices of the Board, has reviewed and revamped its underwriting strategy. The focus is now more on the quality of the business underwritten rather than the quantity, with the ultimate objective of achieving positive underwriting results going forward.

Operating expenses of the Company surged mainly due to provision on doubtful debts in respect of technical receivables US\$ 5.2 million (FY 2018: US\$ 0.8 million) and non-technical receivables US\$ 21.5 million (FY 2018: US\$ 0.3 million). Non-technical receivables were amounts due from the group entities, which were long outstanding. The Management of the Company adopted a prudent approach and provided for all such balances that were deemed irrecoverable. The latter can be reversed as part of the receivable settlement from the Parent.

Going forward, the Company has resolved to rationalise its cost structure and some key decisions and steps have been taken in this regard in FY 2020, including but not limited to substantial reduction in the workforce and other non-core expenses. This effort has to continue further in order to reduce the high expense ratio.

The investment portfolio of the Company performed remarkably well, thanks to the pro-active portfolio management and positioning. The Company recorded an increase of 228% in its investment income. The aforementioned growth was achieved due to higher trading income and interest income in FY 2019 compared to FY 2018. Investment income also included a one-off gain of US\$ 5.9 million on de-recognition of a subsidiary (Oman Re), which is now accounted for as an associate due to loss of control during FY 2019.

The Company recorded an incremental provision of US\$ 18.6 million in FY 2019 (cumulative US\$ 60.0 million) in respect of receivable from the Shareholder. The discounting provision is a notional loss and does not represent any cash outflow, moreover, the discounting provision could be reversed in future periods if the repayment plan is implemented and the receivable from the Shareholder is fully settled.

The Company reported a net loss of US\$ 78.1 million (FY 2018: US\$ 48.9 million) due to abovementioned reasons.

Managing liquidity, with decreasing revenues, was a challenging task, but it was dealt with efficiently through pro-active cashflow management, utilizing external funding sources such as bank borrowings and liquidation of investments. It is pertinent to mention here that all outstanding funded facilities were also settled prior to balance sheet date of FY 2019.

Company's Solvency Statement

The Company's regulatory solvency as at 31 December 2019 represents a deficiency of capital available over required margin of solvency amounting to US\$ 78.8 million. As mentioned earlier in this report, the Company and its Shareholder has agreed a revised repayment plan to address the Company's regulatory solvency and liquidity issues. Details of the repayment plan are as follows:

- Payment of US\$ 10,000 thousand in cash (US\$ 7,964 received in 2019 and US\$ 2,036 thousand in 2020);
- Transfer of certain properties in Lebanon, Jordan, Australia and Spain to a Bahraini registered Trust (the "Trust"), the sole beneficiary of which will be the Company. Management expects these properties to be liquidated in a phased manner by 2023;
- Transfer of 20.33% shareholding of Trust Algeria Investment Holding Limited ('TAIC'), an unlisted company registered in Algeria. TAIC is a subsidiary of the Parent. TAIC acts as a holding company for an unlisted real estate project company, a listed bank and a manufacturing company within Algeria;
- Swap of 6% out of 10% shareholding held by the Group and Company in a listed available for sale investment in Qatar General Insurance and Reinsurance Company SAQ, with a total carrying value of US\$ 59.1 million as at 31 December 2019 (6% being US\$ 35.5 million as at 31 December 2019) in the Group's consolidated and Company's separate financial statements with:
 - a. 25.0% shareholding in an unlisted subsidiary of the Parent in Algeria, Trust Algeria Assurance and Reassurance Company ('TAAR'). TAAR is registered as a direct insurance company; and
 - b. 25.0% shareholding in a listed subsidiary of the Parent in Palestine, Trust International Insurance Public Holding (TIICP). TIICP is registered as a direct insurance company.

The excess in value received over the available for sale investment given up will be used as part of settling the other group receivables hence reversing all previous provisions.

The Group and the Company have engaged independent third parties to value the real estate assets of the Trust and the other entities mentioned above and management is confident that these assets' fair values cover the receivable from the Parent.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a central part of Trust Re's operations. We firmly believe that CSR mirrors our vision, mission and values.

Part of our approach to CSR is community-based, where we work in the community to share what we have. In 2019, as in previous years, our staff sponsored and packed food baskets for those less fortunate during the Holy Month of Ramadan.

As in previous years, we held a blood donation drive at our Bahrain Head Office, supported by medical staff from the central blood bank at Salmaniya Medical Centre. We were also pleased to continue support for a group of orphaned children in Bahrain by donating vouchers for them to purchase school supplies. Our Branch Office in Morocco also donated clothes to those less fortunate.

Furthermore, in October, our staff based at Trust Tower gathered for a good cause and raised a sizeable amount for Bahrain Cancer Society by organising a series of Think Pink Bake Sales.

Auditors

A resolution to appoint the external auditors of the Company for financial year 2020 will be submitted to the Annual General meeting, subject to the prior approval by the Central Bank of Bahrain.

Acknowledgements

The Board of Directors expresses its sincere appreciation of all our valued clients, reinsurers, brokers, business partners and collaborators, the Central Bank of Bahrain and the Ministry of Industry, Commerce & Tourism for their support and cooperation. The Board looks forward to the continued encouragement of all these parties in the future. Ultimately, the success of the Company is the result of the combined efforts and professional skills and ideas of all the employees of the Company and its advisors. On behalf of the Board of Directors and the Executive Management Committee, we would like to thank them and particularly all our staff, for their commitment and valuable contribution.

Bakary Kamara
Chairman
10 May 2021



**FINANCIAL
STATEMENTS**

Independent Auditor's Report to The Shareholders of Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re

Report on the audit of the Group's consolidated and Company's separate financial statements

Our qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, the separate financial statements of Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re (the "Company") and the consolidated financial statements of the Company and its subsidiaries (together, the "Group") present fairly, in all material respects, the respective financial positions of the Company and the Group as at 31 December 2019, and their respective financial performance and their respective cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated and the Company's separate financial statements comprise:

- The Group's consolidated and Company's separate statements of financial position as at 31 December 2019;
- the Group's consolidated and Company's separate statements of income for the year then ended;
- the Group's consolidated and Company's separate statements of comprehensive income for the year then ended;
- the Group's consolidated and Company's separate statements of cash flows for the year then ended;
- the Group's consolidated and Company's separate statements of changes in equity for the year then ended; and
- the notes to the Group's consolidated and Company's separate financial statements, which include the significant accounting policies and other explanatory information.

Basis for qualified opinion

1. Insurance and other receivables:

As stated in note 8, insurance and other receivables include a balance due from Nest Investments (Holdings) Ltd (the "Parent") with a gross amount of USD 350.5 million against which management has recorded a provision of USD 60.03 million resulting in a net receivable balance of USD 290.47 as at 31 December 2019. The recoverability of this balance is dependent on the successful execution of the settlement plan agreed with the Parent, which includes the transfer of certain assets to the Group and Company (Note 2). The fair values of the assets to be transferred are overvalued by an estimated USD 23.5 million and accordingly the provision against the receivable from the Parent as at 31 December 2019, and the loss for the year then ended, would need to increase by the same amount.

2. Investments:

As at 31 December 2019, available-for-sale investments include an amount of USD 8.88 million (2018: USD 16.2 million) representing shares held by third parties as nominees on behalf of the Group and the Company for which we have not received confirmations. As there were no other procedures we could perform, we were unable to obtain sufficient appropriate audit evidence regarding the existence of these investments. As a result, we have been unable to determine whether any adjustments or additional disclosures are required to the Group's consolidated and Company's separate financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Group's consolidated and Company's separate financial statements section of our report.

Independent Auditor's Report to The Shareholders of Trust International Insurance & Reinsurance Company
B.S.C. (c) Trust Re (Continued)

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the Group's consolidated and Company's separate financial statements in the Kingdom of Bahrain. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

Other information

The directors are responsible for the other information. The other information comprises the General Information, Directors and Management and Directors' Report (but does not include the Group's consolidated and Company's separate financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and the Annual Report which is expected to be made available to us after that date.

Our opinion on the Group's consolidated and Company's separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the Group's consolidated and Company's separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Group's consolidated and Company's separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for qualified opinion section above, the provision against the receivable from the Parent and the loss for the year are understated by an estimated USD 23.5 million. In addition, we were unable to obtain sufficient appropriate audit evidence regarding the existence of certain investments in the Group's consolidated and Company's separate financial statements. We are unable to conclude whether or not the other information is materially misstated with respect to these matters.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors and those charged with governance for the Group's consolidated and Company's separate financial statements

The directors are responsible for the preparation and fair presentation of the Group's consolidated and Company's separate financial statements in accordance with International Financial Reporting Standards and the Bahrain Commercial Companies Law number (21) of 2001, as amended (the "Commercial Companies Law"), the Central Bank of Bahrain (CBB) Rulebook (Volume 3), and for such internal control as the directors determine is necessary to enable the preparation of Group's consolidated and Company's separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group's consolidated and Company's separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

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

Independent Auditor's Report to The Shareholders of Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re (Continued)

Auditor's responsibilities for the audit of the Group's consolidated and Company's separate financial statements

Our objectives are to obtain reasonable assurance about whether the Group's consolidated and Company's separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group's consolidated and Company's separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group's consolidated and Company's separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group's consolidated and Company's separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group's consolidated and Company's separate financial statements, including the disclosures, and whether the Group's consolidated and Company's separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report to The Shareholders of Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re (Continued)

Report on other legal and regulatory requirements

As required by the Commercial Companies Law and the Central Bank of Bahrain (CBB) Rulebook (Volume 3), we report that, except for the matters described in the Basis for qualified opinion section of our report:

(i) the Company has maintained proper accounting records and the Group's consolidated and Company's separate financial statements are in agreement therewith;

(ii) the financial information contained in the Directors' Report is consistent with the Group's consolidated and Company's separate financial statements;

(iii) additionally, except for the violations listed below, nothing has come to our attention which causes us to believe that the Company has, during the year, breached any of the applicable provisions of the Commercial Companies Law, the CBB Rulebook (Volume 3), the Central Bank of Bahrain and Financial Institutions Law and CBB directives or the items of its Memorandum and Articles of Association that would have a material adverse effect on its activities for the year ended 31 December 2019 or its financial position as at that date:

- the Group's consolidated and Company's separate audited financial statements as at and for the year ended 31 December 2019 were not approved, issued and submitted to the CBB within three months from 31 December 2019;
- the Group's consolidated and Company's separate audited financial statements as at and for the year ended 31 December 2019 were not approved, issued and submitted to the Ministry of Industry, Commerce and Tourism within six months from 31 December 2019,
- the Company did not hold a general assembly meeting within six months from 31 December 2019;
- the Company's regulatory capital available represents a deficit of USD 32.81 million which falls below the required solvency margin of USD 45.97 million resulting in a deficiency of USD 78.78 million over required solvency margin;
- the Company holds certain investment properties amounting to USD 29.7 million as at 31 December 2019 in violation of its objectives as defined in its Articles of Association; and
- the Company did not seek the Ministry of Industry, Commerce and Tourism's pre-approval for the payment of directors' fees amounting to USD 0.09 million in relation to the year ended 31 December 2019, when losses have been incurred for the year then ended, which is in violation of article 188 of BCCL.

(iv) satisfactory explanations and information have been provided to us by the directors in response to all our requests.

PricewaterhouseCoopers M.E. Limited
Manama, Kingdom of Bahrain.
18 May 2021

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AUDITORS

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Group's Consolidated Statement of Financial Position

As at 31 December 2019

| | Note | 2019 Group USD '000 | 2018 Group USD '000 |
|---|------|------------------------|------------------------|
| ASSETS | | | |
| Cash and bank balances | 7 | 64,106 | 139,276 |
| Insurance and other receivables | 8 | 606,059 | 732,765 |
| Available-for-sale investments | 9 | 265,656 | 333,700 |
| Investment in associates | 11 | 38,615 | 5,470 |
| Gross deferred acquisition costs | 12 | 35,598 | 65,268 |
| Reinsurers' share of technical reserves | 13.1 | 422,194 | 532,310 |
| Investment properties | 14 | 29,705 | 38,179 |
| Property and equipment | 15.1 | 26,047 | 25,511 |
| Intangible assets | 16 | 250 | 270 |
| TOTAL ASSETS | | 1,488,230 | 1,872,749 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 17 | 250,000 | 250,000 |
| Statutory reserves | 17 | 34,228 | 34,228 |
| (Accumulated losses) / retained earnings | | (42,410) | 38,612 |
| Fair value reserves | | 30,418 | 64,762 |
| Foreign currency translation reserves | | (376) | (687) |
| Equity attributable to shareholders of the Parent | | 271,860 | 386,915 |
| Non-controlling interests | 11.2 | - | 29,698 |
| Total equity | | 271,860 | 416,613 |
| Liabilities | | | |
| Technical reserves | 13.1 | 954,620 | 1,146,251 |
| Insurance and other payables | 18 | 221,244 | 236,087 |
| Reinsurance payables | | 21,881 | 37,280 |
| Reinsurers' share of deferred acquisition costs | 19 | 18,625 | 36,518 |
| Total liabilities | | 1,216,370 | 1,456,136 |
| TOTAL EQUITY AND LIABILITIES | | 1,488,230 | 1,872,749 |

Bakary Kamara
Chairman

Yassir Albaharna
Vice Chairman

The attached notes 1 to 34 form part of the Group's consolidated and Company's separate financial statements.

Company's Separate Statement of Financial Position

As at 31 December 2019

| | Note | 2019 Company USD '000 | 2018 Company USD '000 |
|---|------|--------------------------|--------------------------|
| ASSETS | | | |
| Cash and bank balances | 7 | 50,190 | 82,534 |
| Insurance and other receivables | 8 | 587,477 | 678,914 |
| Available-for-sale investments | 9 | 229,749 | 264,221 |
| Investment in subsidiaries | 10 | 957 | 30,884 |
| Investment in associates | 11 | 38,615 | 5,470 |
| Gross deferred acquisition costs | 12 | 31,732 | 54,361 |
| Reinsurers' share of technical reserves | 13.2 | 404,640 | 470,325 |
| Investment properties | 14 | 29,705 | 33,238 |
| Property and equipment | 15.2 | 25,469 | 24,531 |
| TOTAL ASSETS | | 1,398,534 | 1,644,478 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 17 | 250,000 | 250,000 |
| Statutory reserve | 17 | 34,109 | 34,109 |
| (Accumulated losses) / retained earnings | | (44,057) | 34,035 |
| Fair value reserves | | 29,044 | 66,795 |
| Total equity | | 269,096 | 384,939 |
| Liabilities | | | |
| Technical reserves | 13.2 | 898,894 | 1,002,959 |
| Insurance and other payables | 18 | 195,305 | 194,918 |
| Reinsurance payables | | 16,614 | 29,267 |
| Reinsurers' share of deferred acquisition costs | 19 | 18,625 | 32,395 |
| Total liabilities | | 1,129,438 | 1,259,539 |
| TOTAL EQUITY AND LIABILITIES | | 1,398,534 | 1,644,478 |

Bakary Kamara
Chairman

Yassir Albaharna
Vice Chairman

The attached notes 1 to 34 form part of the Group's consolidated and Company's separate financial statements.

Group's Consolidated Statement of Income

For the year ended 31 December 2019

| | Note | 2019 Group USD '000 | 2018 Group USD '000 |
|---|------|------------------------|------------------------|
| Gross premiums written | 13.1 | 299,827 | 525,046 |
| Premiums ceded | 13.1 | (123,270) | (232,481) |
| | 13.1 | 176,557 | 292,565 |
| Unearned premium adjustments - net | | 41,502 | 27,281 |
| Net premium earned | 13.1 | 218,059 | 319,846 |
| Incurred claims | 13.1 | (323,194) | (385,009) |
| Recoveries from reinsurers | 13.1 | 141,435 | 166,169 |
| Claims and related expenses | 13.1 | (181,759) | (218,840) |
| Amortisation of reinsurers' share of deferred acquisition costs | 19 | 47,633 | 51,230 |
| Policy acquisition costs | 12 | (88,695) | (119,821) |
| Other operating income / (expenses) | 21 | 1,606 | (192) |
| Operating expenses | 22 | (41,309) | (33,324) |
| | | (80,765) | (102,107) |
| Underwriting loss | | (44,465) | (1,101) |
| Investment income - net | 23 | 19,367 | 8,490 |
| Loss from investment properties | 24 | (3,450) | (1,846) |
| General and administrative expenses | 25 | (33,547) | (11,052) |
| Finance cost | | (607) | (58) |
| Finance income | | 2,043 | 1,809 |
| Foreign exchange loss | | (3,951) | (7,835) |
| Other expenses | 26 | (14,468) | (32,358) |
| Loss before tax | | (79,078) | (43,951) |
| Income tax expense | 27 | (1,039) | (387) |
| LOSS FOR THE YEAR | | (80,117) | (44,338) |
| Attributable to: | | | |
| Shareholders of the Parent | | (81,074) | (45,210) |
| Non-controlling interests | | 957 | 872 |
| | | (80,117) | (44,338) |

Bakary Kamara
Chairman

Yassir Albaharna
Vice Chairman

The attached notes 1 to 34 form part of the Group's consolidated and Company's separate financial statements.

Company's Separate Statement Of Income

For the year ended 31 December 2019

| | Note | 2019 Company USD '000 | 2018 Company USD '000 |
|---|------|--------------------------|--------------------------|
| Gross premiums written | 13.2 | 245,246 | 458,789 |
| Premiums ceded | 13.2 | (95,396) | (190,355) |
| | 13.2 | 149,850 | 268,434 |
| Unearned premium adjustments - net | | 44,059 | 32,301 |
| Net earned premium | 13.2 | 193,909 | 300,735 |
| Incurred claims | 13.2 | (282,379) | (366,444) |
| Recoveries from reinsurers | 13.2 | 110,055 | 146,955 |
| Claims and related expenses | 13.2 | (172,324) | (219,489) |
| Amortisation of reinsurers' share of deferred acquisition costs | 19 | 42,238 | 54,582 |
| Policy acquisition costs | 12 | (72,959) | (109,302) |
| Other operating income / (expenses) | 21 | 734 | (154) |
| Operating expenses | 22 | (37,465) | (27,567) |
| | | (67,452) | (82,441) |
| Underwriting loss | | (45,867) | (1,195) |
| Investment income - net | 23 | 15,609 | 6,860 |
| Loss from investment properties | 24 | (3,450) | (1,846) |
| General and administrative expenses | 25 | (31,647) | (9,527) |
| Finance income | | 203 | 1,809 |
| Finance cost | | (607) | (58) |
| Foreign exchange gain / (loss) | | 1,029 | (7,768) |
| Other expenses | 26 | (12,374) | (36,691) |
| Loss before tax | | (77,104) | (48,416) |
| Income tax expense | 27 | (1,039) | (468) |
| LOSS FOR THE YEAR | | (78,143) | (48,884) |

Bakary Kamara
Chairman

Yassir Albaharna
Vice Chairman

The attached notes 1 to 34 form part of the Group's consolidated and Company's separate financial statements.

Group's Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

| | Note | 2019 Group USD '000 | 2018 Group USD '000 |
|---|------|------------------------|------------------------|
| Loss for the year | | (80,117) | (44,338) |
| Other comprehensive income | | | |
| Items that may be reclassified to the consolidated statement of income: | | | |
| Available-for-sale investments: | | | |
| Fair value changes arising during the year | | (30,620) | (23,036) |
| Impairment transferred to the consolidated statement of income | 23 | 318 | 3,467 |
| Transfer to consolidated statement of income on disposal | 23 | (4,397) | (1,437) |
| | | (34,699) | (21,006) |
| Currency translation adjustments: | | | |
| Currency translation adjustments arising during the year | | 311 | 29 |
| | | (34,388) | (20,977) |
| Items that will not be reclassified to the consolidated statement of income: | | | |
| Property and equipment: | | | |
| Fair value changes arising during the year | | 40 | 699 |
| Total other comprehensive (loss) for the year | | (34,348) | (20,278) |
| TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR | | (114,465) | (64,616) |
| Attributable to: | | | |
| Shareholders of the Parent | | (115,771) | (65,096) |
| Non-controlling interests | | 1,306 | 480 |
| | | (114,465) | (64,616) |

The attached notes 1 to 34 form part of the Group's consolidated and Company's separate financial statements.

Company's Separate Statement of Comprehensive Income

For the year ended 31 December 2019

| | Note | 2019 Company USD '000 | 2018 Company USD '000 |
|--|------|--------------------------|--------------------------|
| Loss for the year | | (78,143) | (48,884) |
| Other comprehensive income | | | |
| Items that may be reclassified to the separate statement of income: | | | |
| Available-for-sale investments: | | | |
| Fair value changes arising during the year | | (34,544) | (19,577) |
| Impairment transferred to the separate statement of income | 23 | 318 | 1,878 |
| Transfer to the separate statement of income on disposal | 23 | (3,502) | (1,464) |
| | | (37,728) | (19,163) |
| Items that will not be reclassified to the separate statement of income | | | |
| Property and equipment: | | | |
| Fair value changes arising during the year | | 28 | 699 |
| Total other comprehensive loss for the year | | (37,700) | (18,464) |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | (115,843) | (67,348) |

The attached notes 1 to 34 form part of the Group's consolidated and Company's separate financial statements.

Group's Consolidated Statement of Cash Flows

For the year ended 31 December 2019

| | Note | 2019 Group USD '000 | 2018 Group USD '000 |
|--|------|------------------------|------------------------|
| OPERATING ACTIVITIES | | | |
| Loss before tax | | (79,078) | (43,951) |
| Adjustments for: | | | |
| Depreciation | 15.1 | 1,726 | 1,811 |
| Amortisation of intangible assets | 16 | 20 | 38 |
| Finance income | | (2,043) | (1,751) |
| Interest income on debt securities | 23 | (7,266) | (4,465) |
| Share of loss / (profit) of associates | 26 | 1,123 | (271) |
| Provision for bad debts - insurance and other receivables | 8.1 | 5,207 | 2,137 |
| Effect of discounting of receivable from parent | 26 | 18,606 | 41,427 |
| Impairment loss on available-for-sale investments | 23 | 318 | 3,467 |
| Amortisation of premium on available-for-sale investments | | 439 | 444 |
| Gain on sale of available-for-sale investments | 23 | (4,397) | (1,437) |
| Dividend income | 23 | (2,685) | (6,055) |
| Gain on derecognition of a subsidiary | 23 | (5,337) | - |
| Loss on revaluation of investment properties | 24 | 3,533 | 1,882 |
| (Gain) / loss on revaluation of property and equipment | 26 | (2,151) | 2,227 |
| Foreign currency translation adjustments | | (957) | (824) |
| Employees indemnity provision charged | | 863 | 590 |
| Operating (loss) / profit before changes in operating assets and liabilities | | (72,079) | (4,731) |
| Changes in operating assets and liabilities: | | | |
| Unearned premium | | (82,988) | (49,768) |
| Reinsurers' share of unearned premium | | 41,926 | 21,722 |
| Deferred acquisition costs - net | | 33,790 | 8,523 |
| Outstanding claims | | 8,183 | (17,039) |
| Reinsurers' share of outstanding claims | | (4,386) | 15,987 |
| Insurance and other receivables | | 51,067 | 22,946 |
| Insurance and other payables | | (8,190) | 5,936 |
| Reinsurance payables | | 7,612 | 3,606 |
| | | (25,065) | 7,181 |
| Payments of employees indemnity | | (992) | (1,007) |
| Tax paid | | (1,039) | 368 |
| Net cash (used in) / generated from operating activities | | (27,096) | 6,542 |

The attached notes 1 to 34 form part of the Group's consolidated and Company's separate financial statements.

Group's Consolidated Statement of Cash Flows
For the year ended 31 December 2019 (Continued)

| | Note | 2019 Group USD '000 | 2018 Group USD '000 |
|---|------|------------------------|------------------------|
| INVESTING ACTIVITIES | | | |
| Purchase of investments | | (158,250) | (65,904) |
| Proceeds from sale of investments | | 134,903 | 15,627 |
| Cashflow outflow from de-recognition of a subsidiary | 11.2 | (44,640) | - |
| Purchase of property and equipment | 15.1 | (722) | (635) |
| Dividend income received | | 2,685 | 6,055 |
| Dividend received from an associate | | 226 | - |
| Repayment of capital from an associate | | 451 | - |
| Bank deposits with maturity of more than three months | 7 | 27,479 | 376,464 |
| Restricted bank balances | 7 | 8,942 | - |
| Finance income received | | 2,043 | 1,751 |
| Interest income received on debt securities | | 7,266 | 4,465 |
| Net cash (used in) / generated from investing activities | | (19,617) | 337,823 |
| FINANCING ACTIVITIES | | | |
| Insurance and other receivables | | 7,964 | (359,000) |
| Net cash generated from / (used in) financing activities | | 7,964 | (359,000) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (38,749) | (14,635) |
| Cash and cash equivalents at beginning of the year | | 86,535 | 101,170 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 7 | 47,786 | 86,535 |

Non-cash transactions are disclosed in note 34.

Company's Separate Statement of Cash Flows

For the year ended 31 December 2019

| | Note | 2019 Company USD '000 | 2018 Company USD '000 |
|---|------|--------------------------|--------------------------|
| OPERATING ACTIVITIES | | | |
| Loss before tax | | (77,104) | (48,416) |
| Adjustments for: | | | |
| Depreciation | 15.2 | 1,504 | 1,500 |
| Interest income | 23 | (4,812) | (3,560) |
| Share of loss / (profit) of associates | 26 | 1,123 | (271) |
| Provision for bad debts - insurance and other receivables | 8.1 | 5,207 | 780 |
| Effect of discounting of receivable from parent | 26 | 18,606 | 41,427 |
| Impairment loss on available-for-sale investment | 23 | 318 | 1,878 |
| Impairment loss on investment in subsidiaries | 23 | 968 | 2,042 |
| Amortisation of premium on available-for-sale investments | | 439 | 444 |
| Gain on disposal of available-for-sale investments | 23 | (3,502) | (1,464) |
| Gain on derecognition of a subsidiary | 23 | (5,986) | - |
| Loss on revaluation of investment properties | 24 | 3,533 | 1,882 |
| Gain / (loss) on revaluation of property and equipment | 15.2 | (2,151) | 2,227 |
| Employees indemnity provision charged | | 796 | 552 |
| Operating loss before changes in operating assets and liabilities | | (61,061) | (979) |
| Changes in operating assets and liabilities: | | | |
| Unearned premium | | (90,940) | (61,701) |
| Reinsurers' share of unearned premium | | 46,881 | 29,400 |
| Deferred acquisition costs - net | | 8,859 | 10,074 |
| Outstanding claims | | (13,125) | (12,401) |
| Reinsurers' share of outstanding claims | | 18,804 | 20,899 |
| Insurance and other receivables | | 67,624 | (321,982) |
| Insurance and other payables | | 583 | (13,400) |
| Reinsurance payables | | (12,653) | (1,267) |
| | | (35,028) | (351,357) |
| Tax paid | | (1,039) | (468) |
| Payments of employees indemnity | | (992) | (1,007) |
| Net cash used in operating activities | | (37,059) | (352,832) |

The attached notes 1 to 34 form part of the Group's consolidated and Company's separate financial statements.

Company's Separate Statement of Cash Flows
For the year ended 31 December 2019 (Continued)

| | Note | 2018 Company USD '000 | 2017 Company USD '000 |
|---|------|--------------------------|--------------------------|
| INVESTING ACTIVITIES | | | |
| Purchase of investments | | (158,250) | (44,448) |
| Proceeds from sale of investments | | 157,740 | 34,858 |
| Purchase of property and equipment | 15.2 | (265) | (539) |
| Repayment of capital from associate | | 451 | - |
| Dividend received from associate | | 226 | - |
| Proceeds from sale of property and equipment | | 1 | - |
| Bank deposits with maturity of more than three months | 7 | 7,640 | 364,760 |
| Restricted bank balances | 7 | 8,942 | (26,089) |
| Interest income received | | 4,812 | 3,812 |
| Net cash generated from investing activities | | 21,297 | 332,354 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (15,762) | (20,478) |
| Cash and cash equivalents at beginning of the year | | 49,632 | 70,110 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 7 | 33,870 | 49,632 |

Non-cash transactions are disclosed in note 34.

Group's Consolidated Statement of Changes In Equity

For the year ended 31 December 2019

Attributable to shareholders of the Parent

| | Share capital USD '000 | Statutory reserves USD '000 | Retained earnings/ (accu- mulated losses) USD '000 | Investment fair value reserve USD '000 | Property and equipment fair value reserve USD '000 | Foreign currency translation reserves USD '000 | Total USD '000 | Non - controlling interests USD '000 | Total equity USD '000 |
|--|---------------------------|--------------------------------|--|---|---|--|-------------------|---|-----------------------------|
| Balance at 1 January 2019 | 250,000 | 34,228 | 38,612 | 62,185 | 2,577 | (687) | 386,915 | 29,698 | 416,613 |
| (Loss) / profit for the year | - | - | (81,074) | - | - | - | (81,074) | 957 | (80,117) |
| Other comprehensive (loss) / income | - | - | - | (35,048) | 40 | 311 | (34,697) | 349 | (34,348) |
| Total comprehensive (loss) / income | - | - | (81,074) | (35,048) | 40 | 311 | (115,771) | 1,306 | (114,465) |
| Derecognition of a subsidiary (note 3) | - | - | - | 716 | - | - | 716 | (31,004) | (30,288) |
| Incremental depreciation | - | - | 52 | - | (52) | - | - | - | - |
| Balance at 31 December 2019 | 250,000 | 34,228 | (42,410) | 27,853 | 2,565 | (376) | 271,860 | - | 271,860 |
| Balance at 1 January 2018 | 250,000 | 34,181 | 83,821 | 82,799 | 1,926 | (716) | 452,011 | 29,218 | 481,229 |
| Loss / (profit) for the year | - | - | (45,210) | - | - | - | (45,210) | 872 | (44,338) |
| Other comprehensive (loss) / income | - | - | - | (20,614) | 699 | 29 | (19,886) | (392) | (20,278) |
| Total comprehensive (loss) / income | - | - | (45,210) | (20,614) | 699 | 29 | (65,096) | 480 | (64,616) |
| Incremental depreciation | - | - | 48 | - | (48) | - | - | - | - |
| Transfer to statutory reserve | - | 47 | 47 | - | - | - | - | - | - |
| Balance at 31 December 2018 | 250,000 | 34,228 | 38,612 | 62,185 | 2,577 | (687) | 386,915 | 29,698 | 416,613 |

The attached notes 1 to 34 form part of the Group's consolidated and Company's separate financial statements.

Company's Separate Statement of Changes In Equity

For the year ended 31 December 2019

| | Share capital USD '000 | Statutory reserves USD '000 | Retained earnings/ (accumulat- ed losses) USD '000 | Investments fair value reserve USD '000 | Property and equipment fair value reserve USD '000 | Total USD '000 |
|-------------------------------------|------------------------------|-----------------------------------|--|--|---|-------------------|
| Balance at 1 January 2019 | 250,000 | 34,109 | 34,035 | 64,253 | 2,542 | 384,939 |
| Loss for the year | - | - | (78,143) | - | - | (78,143) |
| Other comprehensive (loss) / income | - | - | - | (37,728) | 28 | (37,700) |
| Total comprehensive (loss) / income | - | - | (78,143) | (37,728) | 28 | (115,843) |
| Incremental depreciation | - | - | 51 | - | (51) | - |
| Balance at 31 December 2019 | 250,000 | 34,109 | (44,057) | 26,525 | 2,519 | 269,096 |
| Balance at 1 January 2018 | 250,000 | 34,109 | 82,872 | 83,416 | 1,890 | 452,287 |
| Loss for the year | - | - | (48,884) | - | - | (48,884) |
| Other comprehensive (loss) / income | - | - | - | (19,163) | 699 | (18,464) |
| Total comprehensive (loss) / income | - | - | (48,884) | (19,163) | 699 | (67,348) |
| Incremental depreciation | - | - | 47 | - | (47) | - |
| Balance at 31 December 2018 | 250,000 | 34,109 | 34,035 | 64,253 | 2,542 | 384,939 |

The attached notes 1 to 34 form part of the Group's consolidated and Company's separate financial statements.

Notes To The Group's Consolidated and Company's Separate Financial Statements

For the year ended 31 December 2019

1. INCORPORATION AND ACTIVITIES

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re ("Trust Re" or the "Company") is incorporated in the Kingdom of Bahrain under Commercial Registration Number 11503. The registered office of the Company is at Trust Tower, PO Box 10002, Building 125, Road 1702, Diplomatic Area 317, Manama, Kingdom of Bahrain. The Company is licensed as a reinsurance entity and is regulated by the Central Bank of Bahrain (the "CBB").

The Company and its subsidiaries (together the "Group") mainly provide insurance and related products and services to direct clients, insurance companies and others through insurance and reinsurance brokers through its network of offices in London, Cyprus, Malaysia, India and Morocco. Details of the Group's subsidiaries are further disclosed in note 3.

The Company is 99.107% owned by Nest Investments (Holdings) Ltd (the "Parent"), incorporated in Jersey, Channel Islands.

These financial statements represent consolidated and separate financial statements of the Group and the Company respectively. The separate financial statements have been prepared in order to present the individual performance of the Company.

The Group and the Company are in process of winding down their branches in Cyprus and Malaysia, their representative office in Morocco and certain of their subsidiaries (note 3).

For the branches, after obtaining approval of the relevant authorities and receiving confirmation from clients, the branches are in process of novating active policies to the Head Office, which will continue servicing them. For the remaining policies that will not be transferred to the Head Office, the branches shall continue to service them including settlement of all outstanding and future claims arising from these policies.

The Group's consolidated and Company's separate financial statements were authorised for issue by the Board of Directors on 4 May 2021.

2. BASIS OF PREPARATION

Going concern

As at 31 December 2017, bank deposits of the Group and Company amounting to USD 355,000 thousand were confirmed by the bank as pledged against a facility granted to the Parent. Included in the above deposits is an amount of USD 351,000 thousand which has been liquidated during 2018 to settle the bank facility. Consequently, these amounts have been recorded as a receivable from the Parent within insurance and other receivables and against which a discounting provision of USD 60,033 thousand has been recorded as at the reporting date (note 8). The plan agreed dated 17 September 2020, after receiving no objection from the Central Bank of Bahrain ('CBB'), between the Parent and the Company (the "settlement plan") to recover this amount is as follows:

- payment of USD 10,000 thousand in cash (USD 7,964 received in 2019 and USD 2,036 thousand in 2020);
- the transfer of certain properties owned by the Parent and / or its shaherholders in Lebanon, Jordan, Australia and Spain to a Bahraini registered Trust (the "Trust"), the sole beneficiary of which will be the Company. Management expects such properties to be liquidated in a phased way but completed by 2023.
- transfer of 21.33% shareholding of Trust Algeria Investment Holding Limited ('TAIC'), an unlisted company registered in Algeria. TAIC is a subsidiary of the Parent. TAIC's acts as a holding company for an unlisted real estate project company, a bank and a manufacturing company within Algeria;
- swap of 10% shareholding held by the Group and Company in a listed available for sale investment in Qatar General Insurance and Reinsurance Company SAQ, with a carrying value of USD 59,103 thousand as at 31 December 2019 in the Group's consolidated and Company's separate financial statements with:

Notes To The Group's Consolidated and Company's Separate Financial Statements For the year ended 31 December 2019

a. 77.45% shareholding in an unlisted subsidiary of the Parent in Algeria, Trust Algeria Assurance and Reassurance Company ('TAAR'). TAAR is registered as a direct insurance company; and

b. 47.96% shareholding in a listed subsidiary of the Parent in Palestine, Trust International Insurance Public Holding (TIICP). TIICP is registered as a direct insurance company.

The excess in value received over the available for sale investment given up will be used as part of settling the receivable. As per the CBB, the Parent is required to replace the above settlement plan in cash by 31 December 2022.

The Group has engaged independent third parties to value the real estate assets of the Trust and the other entities mentioned above and management is confident that these assets' fair values cover the receivable from the Parent.

Subsequently, the Company's board of directors approved, on 8 February 2021, a revised plan by applying reduced percentages on the following assets:

- Reduction of TAIC's percentage from 21.33% to 20.33%;
- Reduction of TAAR's percentage from 77.45% to 25.00%;
- Reduction of TIICP's percentage from 47.96% to 25.00%; and
- Reduction of QGIR's percentage from 10.00% to 6.00%.

On 2 March 2021, the CBB confirmed it had no objection to the proposed revision.

Subsequent to the reporting date, the Parent executed the transfer of TAIC, TAAR and TIICP to the Group in line with the settlement plan as revised on 9 February 2021.

As mentioned in note 33, the Company's solvency, as per CBB requirements, as at 31 December 2019 shows a deficiency of capital available over required margin of solvency amounting to USD 78,782 thousand.

In addition, as stated in note 33(d), the Group's and the Company's current liabilities exceeded their current assets by USD 44,488 thousand and USD 31,719 thousand respectively as at 31 December 2019 for which management has prepared a business plan to address these liquidity constraints. In addition, due to the fact that settlement plan includes the transfer of illiquid assets, management has prepared a plan to address these liquidity constraints. Management will arrange to sell investments to meet any liquidity needs which, in the management's view, can be achieved within a short period of time and that the available for sale investment portfolio is sufficient to cover any such liquidity requirements. During 2020, management has liquidated investments amounting to USD 20,000 thousand to meet its liquidity requirements.

Moreover, due to the developments impacting its business, the Group and the Company amended their strategy to reduce their risk appetite through accepting reinsurance contracts in lower risk lines of business which may ultimately improve the Group's and the Company's overall loss ratios and underwriting margins. Furthermore, the Group and the Company have implemented an internal cost restructuring strategy and approved the closure of their branches in Cyprus and Labuan in line with the set strategy.

Based on the above, management has assessed the Group's and the Company's ability to continue as a going concern and is satisfied that the Group and Company have the resources to continue in business for the foreseeable future. Therefore, the Group's consolidated and Company's separate financial statements continue to be prepared on the going concern basis.

Statement of compliance

The Group's consolidated and Company's separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and the relevant provisions of the Bahrain Commercial Companies Law number (21) of 2001 ("BCCL"), Volume 3 of the Central Bank of Bahrain Rulebook and the Financial Institution Law of 2006.

Accounting convention

The Group's consolidated and Company's separate financial statements have been prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments, investment properties, property and equipment (land and building only) and derivative financial instruments.

Notes To The Group's Consolidated and Company's Separate Financial Statements
For the year ended 31 December 2019

Functional and presentation currency

The Group's consolidated and Company's separate financial statements have been presented in United States Dollar (USD) being the functional currency of the Group and Company and are rounded to the nearest USD thousand (USD '000) except when otherwise indicated.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. 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.

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; and
- Board representation

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 consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group 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 following are the subsidiaries of the Group:

| Name of the subsidiary | Country of incorporation | Effective ownership 2019 | Effective ownership 2018 | Principal activity |
|---|--------------------------|--------------------------|--------------------------|--------------------------------------|
| Trust Underwriting Limited | United Kingdom | 100.00% | 100.00% | Corporate member of Lloyds of London |
| Texas International Underwriters Inc. *** | United States of America | 100.00% | 100.00% | Insurance agency (dormant) |
| Ribera De Marbella S.L. *** | Spain | 100.00% | 100.00% | Service company (dormant) |
| Afro Asian Assistance B.S.C. (c) ** | Kingdom of Bahrain | 100.00% | 100.00% | Travel assistance |

Notes To The Group's Consolidated and Company's Separate Financial Statements For the year ended 31 December 2019

| | | | | |
|--|--------------------|---------|---------|----------------------|
| "Trust International Insurance and Reinsurance Company, Société Anonyme ** | Morocco | 100.00% | 100.00% | Liaison office |
| Trust Insurance Management W.L.L. | Kingdom of Bahrain | 100.00% | 100.00% | Insurance management |
| Oman Reinsurance Company S.A.O.C. ("Oman Re") * | Sultanate of Oman | - | 49.25% | Insurance |
| "Afro Asian Assistance Oman L.L.C.** (subsidiary of Afro Asian Assistance B.S.C. (c)) | Sultanate of Oman | 100.00% | 100.00% | Travel assistance |

Voting rights in the Board of Directors for all subsidiaries are 100% (2018: 100% except for Oman Re which is 57.14%).

* On 30 September 2019, due to the change in the Group's board representation, the Group lost control of Oman Re. Thus, the investment in Oman Re was remeasured at fair value and recorded as an investment in an associate. This resulted in a gain of USD 5,337 thousand and USD 5,986 thousand in the Group's consolidated and Company's separate financial statements respectively (note 23). The results of Oman Re for the period from 1 January 2019 to 30 September 2019 are consolidated in the Group's consolidated statement of income for the year.

** Currently under liquidation

*** No financial information available on this company. Subsequent to the year end, the Group and the Company has liquidated this company.

4. ACCOUNTING STANDARDS AND PRONOUNCEMENTS

The principal accounting policies applied in the preparation of the Group's consolidated and Company's separate financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

4.1 New standards, amendments and interpretations effective from 1 January 2019

The following standards are effective for the first time for the financial year beginning on or after 1 January 2019:

- IFRS 16 Leases - IFRS 16 introduces a single, accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short term leases and leases of low value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The new standard did not have a significant impact on the Group's consolidated and Company's separate financial statements as the Group and Company have not entered into any significant lease agreements as lessees.

- Prepayment features with negative compensation – amendments to IFRS 9 - As the Group and Company are operating in insurance activities, they have opted for the deferral of the adoption of IFRS 9 till 1 January 2023, the date of adoption of IFRS 17 - Insurance Contracts.
- Amendments to IAS 28 'Investments in associates', on long term interests in associates and joint ventures - these amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9. The Group and Company are not impacted by such amendment since they apply the equity method for their associates.
- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and recognise in the Group's consolidated and Company's separate statement of income as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
- IFRIC 23 - This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

Notes To The Group's Consolidated and Company's Separate Financial Statements For the year ended 31 December 2019

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and redits and tax rates.

These amendments do not have an impact on the Group's consolidated and Company's separate financial statements.

There are no other amendments to IFRS or IFRIC interpretations that were effective for the first time for the financial year beginning on or after 1 January 2019 and have a significant effect on the Company's separate financial statements.

4.2 New standards, amendments and interpretations not yet effective

A number of new standards, amendments and interpretations to standards and interpretations are not effective for annual periods beginning on 1 January 2019, and have not been applied in preparing the Group's consolidated and Company's separate financial statements. Those which are relevant to the Group and Company are set out below. The Group and the Company do not plan to early adopt these standards.

- IFRS 9 Financial Instruments - IFRS 9 replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is applicable from 1 January 2018 with early adoption permitted.

However, the Group and Company have applied the temporary exemption from IFRS 9 available under IFRS 4 and will therefore only apply this standard for annual periods beginning 1 January 2023. In the interim, the Group and the Company will continue to apply IAS 39 to their financial assets and liabilities.

- IFRS 17 Insurance Contracts - IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. This standard replaces IFRS 4 Insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The standard is applicable for annual periods beginning on or after 1 January 2023, with comparative figures required for the prior period. The Group and the Company are assessing the impact of IFRS 17 on the Group's consolidated and Company's separate financial statements.

There are no other applicable new standards and amendments to published standards or International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been issued but are not effective that would have an impact on the Group's and Company's financial year beginning on 1 January 2019.

5. SIGNIFICANT ACCOUNTING POLICIES

Product classification

Insurance contracts are those contracts on which the Group (the reinsurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines the insurance risk as significant if the insurance risk transferred is above 115% of the gross premium written to undertake that specific insurance risk. Contracts that do not transfer significant insurance risk are accounted for using deposit accounting.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of the contract period lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Notes To The Group's Consolidated and Company's Separate Financial Statements For the year ended 31 December 2019

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and at bank and short-term deposits with original maturities of three months or less, other than restricted bank balances.

Investment in subsidiaries

Investment in subsidiaries are stated at cost less impairment in the Company's separate financial statements.

Investment in an associate

An associate is an entity over which the Group and the Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The investment in associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group and Company's share of shareholders' net assets of the associate since the acquisition date.

The statement of income reflects the Group and Company's share of the results of shareholders' operations of the associate. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's and Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group and the Company recognise their share of any changes, when applicable, in the Group's consolidated and Company's separate statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the Company and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group and the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Group and the Company.

After application of the equity method, the Group and the Company determine whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group and the Company determine whether there is objective evidence that an investment in an associate is impaired. If there is such evidence, the Group and the Company calculate the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of results of associate' in the Group's consolidated and Company's separate statement of income.

Upon loss of significant influence over an associate, the Group and the Company measure and recognise any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the Group's consolidated and Company's separate statement of income.

Available-for-sale investments

Available for sale financial assets are non-derivative financial assets that are designated as available-for-sale. Regular way purchases and sales of available-for-sale investments are recognised on trade-date, the date on which the group commits to purchase or sell the asset. These investments are initially recorded at fair value, including transaction costs. After initial measurement, available-for-sale financial assets are remeasured at fair value. Fair value gains and losses are reported as a separate component in the Group's consolidated and Company's separate statements of other comprehensive income until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in Group's consolidated and Company's separate statements of other comprehensive income are transferred to the Group's consolidated and Company's separate statements of income.

Held to maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These investments

Notes To The Group's Consolidated and Company's Separate Financial Statements For the year ended 31 December 2019

are initially recorded at fair value plus transaction costs. After initial measurement, held-to-maturity financial assets are measured at amortised cost using effective interest method.

Derivative financial instruments

The Company uses forward contracts to cover its foreign currency risks.

Derivatives are initially recognised and subsequently measured at fair value with transaction costs taken directly to the consolidated and separate statements of income. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the Group's consolidated and Company's separate statements of financial position.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Group's consolidated and Company's separate statements of income.

Assets held under nominee arrangements

a. assets held by third parties on behalf of the Group and the Company

Assets where beneficial ownership rests with the Group, held by the Parent, third parties or the ultimate beneficial owner's immediate family members, via trust deed mechanism, are recognised in the Group's consolidated and Company's separate statements of financial position even if such assets are registered in the name of these parties.

Following are the details of these assets:

| Description of asset | Financial statement classification | 2019 USD '000 | 2018 USD '000 |
|---|---|------------------|------------------|
| Shares of Qatar General Insurance and Reinsurance Company SAQ (notes 2&9) | Available-for sale investments | 19,004 | 34,671 |
| Shares of Oman Reinsurance Company (S.A.O.C.) (note 10 & 11) | Investment in associate (2018: investment in subsidiary) | 13,634 | 11,335 |
| Shares of Afro Asian Assistance BSC (c) (note 10) | Investment in subsidiaries | 97 | 97 |
| Shares of Trust Insurance Management WLL (note 10) | Investment in subsidiaries | 27 | 27 |
| Shares of Jordan Expatriates Investment Holding (note 11) | Investment in associate | 761 | 933 |

30% of the Group's investment in Afro Asian Assistance LLC is also held under a nominee arrangement amounting to USD 117 thousand (2018: 30% amounting to USD 117 thousand) (note 10).

b. assets held by Group and the Company on behalf of third parties

The Group and the Company holds, in its name, certain assets where beneficial ownership rests with the Parent, third parties or the ultimate beneficial owner's immediate family members, via trust deed mechanism. These assets are not recognised in the Group's consolidated and Company's separate statements of financial position even though such assets are registered in the name of the Group and the Company.

Following are the details of these assets:

| Description of asset | Country of incorporation | 2019 Number of shares | 2018 Number of shares |
|--|--------------------------|-----------------------------|-----------------------------|
| Shares of Jordan Expatriates Investment Holding (1) | Jordan | 2,911,960 | 3,235,510 |
| Shares of Trust International Insurance Public Holding (Palestine) (2) | Palestine | 428,991 | 285,994 |
| Shares of Trust Algeria Assurance and Reassurance Company (3) | Algeria | 2,478,400 | 1,587,725 |
| Shares of Trust Algeria Investment Holding Limited | Algeria | 10,758 | 10,758 |

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| | | | |
|--|---------|------------|-----------|
| Shares of Arab Insurance Institute | Syria | 20,900 | 20,900 |
| Shares of Arab Insurance Group (B.S.C.) | Bahrain | 770,000 | 770,000 |
| Shares of Qatar General Insurance and Reinsurance Company SAQ ("QGIR") (4) | Qatar | 16,500,000 | 1,650,000 |
| Share of Industries Qatar QPSC (5) | Qatar | - | 41,767 |
| Shares of Doha Bank QPSC (5) | Qatar | - | 128,450 |
| Shares of Qatar Gas Transport Company Limited (5) | Qatar | - | 50,000 |
| Shares of Qatar Islamic Bank QPSC (5) | Qatar | - | 15,147 |
| Shares of Oman Telecommunications Company (5) | Oman | - | 10,000 |
| Shares of Trust Yemen Insurance and Reinsurance Co. (6) | Yemen | - | 80,000 |

1. During 2019, there was a 10% repayment of capital.
2. During 2019, 50% bonus shares were issued.
3. During 2019, share capital was increased.
4. During 2019, the shares of QGIR were split at the rate of 1:10.
5. During 2019, these shares were disposed off by the Group and the Company and the proceeds were used to partly settle the receivable from Parent.
6. During 2019, the legal ownership was transferred from the Company to another party.

Insurance receivables

Insurance receivables are recognised when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance 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 Group's consolidated and Company's separate statements of income.

Deposit accounting

Contracts that do not transfer significant insurance risk are accounted for using deposit accounting. Under deposit accounting one party recognises the consideration received as a financial liability, rather than as revenue, and the other party recognises the consideration paid as a financial asset, rather than as an expense.

Deposits from cedents

Deposits received from the cedent against the contracts under deposit accounting are accounted for as a liability.

Deferred acquisition costs

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised over the period in which the related revenues are earned, on a straight line basis. The reinsurers' share of deferred acquisition costs is amortised in the same manner as explained above. Amortisation is recorded in the Group's consolidated and Company's separate statements of income.

Technical reserves

i) Outstanding claims reserve

The outstanding claims reserve is made up of:

- Case reserves
- Incurred But Not Reported (IBNR), comprising:
 - Pure Incurred But Not Reported (Pure IBNR)
 - Incurred But Not Enough Reported (IBNER)

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The outstanding claims reserve is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date.

The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Any differences between the estimated cost and subsequent settlement of claims are included in the Group's consolidated and Company's separate statements of income of the year of settlement. Subsequent re-estimations are included in the Group's consolidated and Company's separate statements of income of the year of re-estimation.

ii) Unearned premium reserve

The provision for unearned premiums represents that portion of premiums received or receivable that 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 on a straight line basis in accordance with the pattern of insurance service provided under the contract and is calculated as follows:

- For Facultative business and Treaty Non-Proportional business, these premiums are calculated for each insurance policy on a pro-rata temporis basis using the 365ths method.
- For Treaty Proportional business the same approach is used, however one extra year is allowed from the expiry date of the policy.

The reinsurance share of unearned premium is also accounted for in a similar manner.

Liability adequacy test

At each reporting date the Group and the Company review their unexpired risk and a liability adequacy test is performed 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 technical provisions. If these estimates indicate that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the related deferred acquisition cost is written-off against the deficiency. If deficiency remains, it is recognised in the Group's consolidated and Company's separate statements of income by creating a provision for liability adequacy.

Insurance deposits

Insurance deposits comprise premium and claim deposits with cedants in accordance with policy terms and are carried at anticipated realisable values after provision for impairment. A provision for impairment is established when there is evidence that the Group and the Company will not be able to collect all amounts due according to the terms of the deposits. In case of deposits not specifically impaired, a collective evaluation of impairment is carried out based on historical loss experience. Irrecoverable deposits are written off during the year in which they are identified. Irrecoverable deposits are identified on an analysis of the financial position of the counter party.

The deposits under retrocession arrangements are recognised as liabilities as outward treaty premium reserves loss deposits and are accounted for in a similar manner as stated above.

Investment properties

All properties held for rental or for capital appreciation purposes, or both, are classified as investment properties. Where a property is partially occupied by the Group or the Company and the portions could be sold separately, the Group or the Company accounts for the portions separately either as an investment property or property and equipment, as appropriate. If the portions cannot be sold separately, the property is classified as an investment property only if an insignificant portion is held for own use.

The Group applies the fair value model of accounting for investment properties. All investment properties are initially recorded at cost, including acquisition expenses associated with the property.

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Subsequent to initial recognition, all investment properties are remeasured at fair value and changes in fair value are recognised in the Group's consolidated and Company's separate statements of income. The Group engages independent valuation specialists to determine the fair value of investment properties.

Property and equipment

Property and equipment except land and building, is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Land and building is carried at fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

On revaluation, any increase in the carrying amount of the land and building is carried in the Group's consolidated and Company's separate statements of changes in equity, under revaluation reserve and any decrease is recognised as an expense, except to the extent that it reverses a previous increase recognised in equity. The balance in the revaluation reserve is transferred to retained earnings upon incremental depreciation and on sale of the property and realisation of profit.

The assets' residual values and useful lives and method are reviewed and adjusted if appropriate at each financial year end. Stated below are the estimated useful life of the assets:

| | Years |
|-----------------------------------|-------|
| Motor vehicles | 4 |
| Furniture, fittings and equipment | 4 |
| Computer hardware and software | 3 - 4 |
| Buildings | 40 |

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the Group's consolidated and Company's separate statements of income as an expense.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Group's consolidated and Company's separate statements of income in the year the asset is derecognised.

Intangible assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Estimated useful life of intangible assets is ten years.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in Group's consolidated statement of income.

Notes To The Group's Consolidated and Company's Separate Financial Statements For the year ended 31 December 2019

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 IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in the Group's consolidated statement of income.

Dividends on share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders.

Dividends for the year that are approved after the Group's consolidated and Company's separate statements of financial position date are dealt with as an event after the reporting period.

Foreign currency translation

The Group's consolidated and Company's separate financial statements are presented in USD which is the functional currency of the Group and the Company. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the consolidated and separate statement of financial position date. All differences are taken to the Group's consolidated and Company's separate statements of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the Group's consolidated and Company's separate statements of income, except for differences relating to items where gains or losses are recognised in other comprehensive income, in which case the gain or loss is recognised net of the exchange component in other comprehensive income.

The assets and liabilities of the subsidiaries are translated into USD at the rate of exchange prevailing at the Group's consolidated statement of financial position date and the Group's consolidated statement of income is translated at average exchange rates for the period. The exchange differences arising on the translation are recognised in other comprehensive income.

Insurance payables

Insurance payables are stated at amounts which they are expected to be settled.

Employees' end of service benefits

The Group and Company provide end of service benefits to their expatriate employees in accordance with the relevant regulations. The entitlement to these benefits is based upon the employees' final salaries and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment based on the notional amount payable if all employees had left at the Group's consolidated and Company's separate statement of financial position date.

With respect to its national employees, the Group and the Company make contributions to the Social Insurance Organisation calculated as a percentage of the employees' salaries in accordance with the relevant regulations. The Group's and the Company's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Group or the Company have present obligations (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Revenue

Revenues earned by the Group and Company are recognised on the following basis:

Gross premiums written

Gross premiums written comprise the total premiums receivable for the whole period of cover provided by contracts

Notes To The Group's Consolidated and Company's Separate Financial Statements For the year ended 31 December 2019

entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Included in this amount are estimates of pipeline premiums which are premiums written but not booked as at the reporting date. Pipeline premiums are recorded as accrued insurance premiums.

Management fee and commission income

Management fee and commission income is recognised as revenue over the period in which the related services are performed. If the commissions are for services provided in future periods then they are deferred and amortised over the life of the related insurance policy.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Rental income

Rental income is recognised on an accrual basis.

Reinsurance ceded

The Group and the Company cede insurance risk in the normal course of business for all of their businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the insurer's 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 Group or 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 Group or Company will receive from the reinsurer. The impairment loss is recorded in the Group's consolidated and Company's separate statements of income.

Ceded reinsurance arrangements do not relieve the Group or the Company from their obligations to policyholders.

The Group and the Company also assume insurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed insurance are recognised as revenue or expenses in the same manner as they would be if the insurance were considered direct business, taking into account the product classification of the insured business. Insurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Insurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Deposit contracts that do not transfer significant insurance risk are accounted for directly through the Group's consolidated and Company's separate statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the Group's consolidated statements of income and comprehensive income and within equity, separately from the parent's shareholders' equity. Non-controlling interests are measured at the proportionate share in the recognised amounts of the subsidiary's identifiable net assets not owned, directly or indirectly by the Group.

Commissions paid

Commissions paid are recognised at the time policies are written.

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Claims

Claims include all claims occurring during the year, whether reported or not, related claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Insurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

When the salvage amount is known at the time of claims settlement, it is deducted from the claim amount and the net amount is credited to the reinsured. If salvage recovery is done later, the amount is credited to the claims paid account by charging the reinsured account. Subrogation and other recoveries, which will take place after claims settlement, are treated as above.

The corresponding refund to the reinsurers is done simultaneously with the accounting of recoveries for salvage, subrogation and other recoveries from third parties.

Operating expenses and general and administrative expenses

Expenses directly relating to core insurance operations of the Group and Company are included within operating expenses. All other expenses are included in general and administrative expenses.

Taxation

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on foreign operations is provided in accordance with the fiscal regulations of the respective countries in which the Group operates.

Income tax on the results for the year comprises current and deferred tax. Current tax recognised in the Group's consolidated and Company's separate statement of comprehensive income is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are also used to determine deferred taxation.

Years of account

This accounting policy relates to the Group's subsidiary Trust Underwriting Limited which is a corporate member of Lloyd's of London.

Closed years of account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled as of the reporting date, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsurance syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The Lloyd's Corporate capital subsidiary has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

Run-off years of account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined

Notes To The Group's Consolidated and Company's Separate Financial Statements For the year ended 31 December 2019

initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result, any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Group's consolidated and Company's separate statements 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 is not offset in the Group's consolidated or Company's separate statements of income unless required or permitted by any accounting standard or interpretation.

Fair value measurement

The Group and the Company measures financial instruments such as available for sale investments and non-financial assets such as investment properties, at fair value at each reporting 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 and the Company.

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 market participant's ability to generate economic benefits by using the asset for its highest and best use or by selling it to another market participant that would use the asset for its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the Group's consolidated and Company's separate 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; and
- 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 at fair value in the Group's consolidated and Company's separate financial statements on a recurring basis, the Group and the Company 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.

For the purpose of fair value disclosures, the Group and the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of financial assets

The Group and the Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

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Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the consolidated and separate statements of income.

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Group's consolidated and Company's separate statements of income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets

For available-for-sale financial investments, the Group and the Company 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 (assumed to be one year). When 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 Group's consolidated and Company's separate statements of income – is removed from other comprehensive income and recognised in the Group's consolidated and Company's separate statements of income. Impairment losses on equity investments are not reversed through Group's consolidated and Company's separate statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

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 Group's consolidated and Company's separate statements of income.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group or Company has transferred its rights 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 or Company has transferred substantially all the risks and rewards of the asset, or (b) the Group or Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group or Company has transferred its rights 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 or Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an

Notes To The Group's Consolidated and Company's Separate Financial Statements For the year ended 31 December 2019

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 Group's consolidated and Company's separate statements of income.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated and Company's separate financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The most significant uses of judgements and estimates are as follows:

The ultimate liability arising from claims made under insurance contracts

The estimate of ultimate losses arising from existing insurance contracts includes unreported claims. Provisions for unreported claims are estimated based on actuarial analysis and application of underwriting judgment having regard to the range of uncertainty as to the eventual outcome for each category of business. The ultimate insurance liability also includes the costs to administer the claims.

All insurance contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

Impairment losses on available-for-sale investments

The Group and Company determine that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgement. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In making this judgement, the Group and Company evaluate, amongst other factors, the normal volatility in share price, evidence of deterioration in the financial health of the investee, industry and sector performance and operating and financing cash flows.

Impairment losses on receivables

The Group and Company assess receivables (including related party receivables) that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgement. In making this judgement, the Group and Company evaluate credit risk characteristics that consider past-due status being indicative of the inability to pay all amounts due as per contractual terms. In addition, management has applied judgment in determining the fair values of the assets to be received as part of the settlement plan (note 2) while assessing the recoverability of the receivable from the Parent.

Revaluation of investment properties and property and equipment

The Group and Company carry their investment properties at fair value, with changes in fair value being recognised in the consolidated and separate statement of income. In addition, the land and building held for future use as owner occupied property is measured at revalued amounts with changes in fair value being recognised in the Group's consolidated and Company's separate statements of other comprehensive income. The Group and Company engaged independent valuation specialists to determine fair value as at 31 December 2019.

Deferred acquisition costs

The Group and Company recognise the direct and indirect costs arising from the writing or renewing of insurance contracts as deferred acquisition costs. These costs are amortised over the period in which revenues are earned. The Group and the Company assess the earning patterns of the premiums and the recoverability of these costs against future premiums. Amortisation is recorded in the Group's consolidated and Company's separate statements of income.

Useful life of property and equipment

The Group's and the Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Notes To The Group's Consolidated and Company's Separate Financial Statements For the year ended 31 December 2019

Going concern

The directors have made an assessment of the Group and Company's ability to continue as a going concern and are satisfied that the Group and Company have the resources to continue in business for the foreseeable future (note 2). Therefore, the Group's consolidated and Company's separate financial statements continue to be prepared on the going concern basis.

Consolidation of subsidiaries

The financial statements of the Group's subsidiary, Trust Underwriting Limited, are consolidated based on actual results of the subsidiary up to 30 September each year and an estimation of the results for the period from 1 October to 31 December each year.

Any material changes to these estimates could result in changes in amounts used for consolidation which will only be adjusted in the following accounting year.

Ultimate premiums

The Group's and Company's estimate of ultimate premiums is based on premium income estimates provided by cedants which is then adjusted to reflect underwriters' judgement taking into account market conditions and historical data. This estimate is subject to review by underwriters and actuaries.

Deferred policy acquisition costs (DAC)

The amount of acquisition costs to be deferred for the Group and the Company is dependent on judgments as to which issuance costs are directly related to and vary with the acquisition. For long-term insurance contracts without fixed terms and investment contracts with DAC on these contracts are amortised over the expected total life of the contract group as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts in accordance with the accounting policy stated in Note 5. The pattern of expected profit margins is based on historical and anticipated future experiences which consider assumptions, such as expenses, lapse rates or investment income and are updated at the end of each accounting period.

7. CASH AND BANK BALANCES

| | 2019 Group USD '000 | 2019 Company USD '000 | 2018 Group USD '000 | 2018 Company USD '000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Cash on hand | 25 | 24 | 20 | 20 |
| Bank balances (note 7.2) | 47,761 | 33,846 | 86,515 | 49,612 |
| Cash and cash equivalents | 47,786 | 33,870 | 86,535 | 49,632 |
| Statutory deposit (note 7.1) | 398 | 398 | 398 | 398 |
| Restricted bank balances (note 7.2) | 14,525 | 14,525 | 23,467 | 23,467 |
| Deposits with banks with maturity of more than 3 months (note 7.2) | 1,397 | 1,397 | 28,876 | 9,037 |
| Cash and bank balances | 64,106 | 50,190 | 139,276 | 82,534 |

7.1 Statutory deposit is maintained with regulator in the Kingdom of Bahrain. This balance is not available for day-to-day use in the Group's or the Company's operations.

7.2 These include bank balances of USD 14,525 thousand (2018: USD 23,467 thousand) and deposits amounting to USD 1,016 thousand (2018: USD 1,037 thousand) held by a bank as collateral against the issuance of guarantee as further disclosed in Note 30. These are not available to the Group and the Company's operations.

Notes To The Group's Consolidated and Company's Separate Financial Statements
For the year ended 31 December 2019

8. INSURANCE AND OTHER RECEIVABLES

| | 2019 Group USD '000 | 2019 Company USD '000 | 2018 Group USD '000 | 2018 Company USD '000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Insurance receivables | 89,319 | 61,766 | 135,791 | 103,329 |
| Reinsurance receivables | 23,535 | 17,106 | 15,840 | 15,840 |
| Less: Provision for doubtful debts (note 8.1) | (23,858) | (23,858) | (22,596) | (18,651) |
| | 88,996 | 55,014 | 129,035 | 100,518 |
| Inward pipeline premium accruals | 137,046 | 137,046 | 203,459 | 180,996 |
| Inward treaty premium reserve and loss deposit | 39,575 | 39,575 | 46,183 | 42,610 |
| Due from related parties (note 30) * | 302,864 | 325,337 | 344,712 | 344,965 |
| Other debtors and prepayments | 37,278 | 30,205 | 8,547 | 9,376 |
| Current tax asset | 300 | 300 | 829 | 449 |
| | 606,059 | 587,477 | 732,765 | 678,914 |

* This amount includes receivable from Nest Investments (Holdings) Limited, the Parent. The movement of the balance is illustrated in the table below:

| Group and Company | 2019 | | | 2018 | | |
|---|------------------------------|-------------------------------------|-------------------------|---------------------------|-------------------------------------|-------------------------|
| | Gross Balance USD '000 | Impairment Provision USD '000 | Net balance USD '000 | Gross Balance USD '000 | Impairment Provision USD '000 | Net balance USD '000 |
| Opening balance | 357,708 | (41,427) | 316,281 | 851 | - | 851 |
| Receivable recorded on liquidation of deposits to settle the bank facility of Parent (note 2) | - | - | - | 351,340 | - | 351,340 |
| Other payments made on behalf of Parent | - | - | - | 5,517 | - | 5,517 |
| Repayments made | (7,206) | | (7,206) | | - | 0 |
| Impairment provision (note 26) | - | (18,606) | (18,606) | - | (41,427) | (41,427) |
| As at 31 December | 350,502 | (60,033) | 290,469 | 357,708 | (41,427) | 316,281 |

The Company has agreed a settlement plan with the Parent to collect this amount (refer to note 2). The subsequent movement of the receivable from Parent till of the date of the authorisation of these financial statements are as follows:

| | Gross Balance USD '000 | Impairment Provision USD '000 | Net balance USD '000 |
|--|---------------------------|-------------------------------------|-------------------------|
| Opening balance 1 January 2020 | 350,502 | (60,033) | 290,469 |
| Repayments made subsequent to the date of financial statements | (3,686) | - | (3,686) |
| Balance | 346,816 | (60,033) | 286,783 |

Notes To The Group's Consolidated and Company's Separate Financial Statements
For the year ended 31 December 2019

Due from related parties is also net of provision amounting to USD 30,180 thousand (2018: USD 8,326 thousand) for the Group and the Company.

At 31 December 2019, the gross amount of additional impaired insurance and reinsurance receivables amounted to USD 29,523 thousand for the Group (2018: USD 28,762 thousand) and USD 29,523 thousand for the Company (2018: USD 22,921 thousand) for which a provision of USD 23,858 thousand (2018: USD 22,596 thousand) and USD 23,858 thousand (2018: USD 18,651 thousand) has been recorded for the Group and Company respectively).

Other than insurance and reinsurance receivables and due from related parties, all other receivables are due on demand and are neither past due nor impaired.

8.1 Movements in the allowance for impairment of insurance and reinsurance receivables were as follows:

| | 2019 Group USD '000 | 2019 Company USD '000 | 2018 Group USD '000 | 2018 Company USD '000 |
|-------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| At 1 January | 22,596 | 18,651 | 20,459 | 17,871 |
| Charge for the year (note 22) | 5,207 | 5,207 | 2,137 | 780 |
| Derecognition of a subsidiary | (3,945) | - | - | - |
| At 31 December | 23,858 | 23,858 | 22,596 | 18,651 |

At 31 December, the ageing of unimpaired insurance and reinsurance receivables was as follows:

8.2 Group

| | Total USD '000 | Neither past due nor impaired USD '000 | Past due but not impaired | | | |
|-------------|-------------------|--|----------------------------------|-------------------------------|--------------------------------|-----------------------------------|
| | | | Less than 90 days USD '000 | 90 to 180 days USD '000 | 181 to 365 days USD '000 | More than 365 days USD '000 |
| 2019 | 83,331 | 19,362 | 12,908 | 19,253 | 31,808 | - |
| 2018 | 122,869 | 47,670 | 50,001 | 15,879 | 9,318 | - |

8.3 Company

| | Total USD '000 | Neither past due nor impaired USD '000 | Past due but not impaired | | | |
|-------------|-------------------|--|----------------------------------|-------------------------------|--------------------------------|-----------------------------------|
| | | | Less than 90 days USD '000 | 90 to 180 days USD '000 | 181 to 365 days USD '000 | More than 365 days USD '000 |
| 2019 | 49,349 | 11,466 | 7,644 | 11,402 | 18,837 | - |
| 2018 | 96,248 | 38,082 | 43,095 | 7,188 | 7,883 | - |

Notes To The Group's Consolidated and Company's Separate Financial Statements
For the year ended 31 December 2019

9. AVAILABLE-FOR-SALE INVESTMENTS

| | 2019 Group USD '000 | 2019 Company USD '000 | 2018 Group USD '000 | 2018 Company USD '000 |
|-----------------|------------------------|--------------------------|------------------------|--------------------------|
| Quoted | | | | |
| Equities | 67,898 | 62,017 | 149,820 | 111,522 |
| Mutual funds | 32,670 | 32,670 | 31,260 | 31,260 |
| Debt securities | 159,798 | 129,772 | 149,605 | 118,424 |
| Unquoted | | | | |
| Equities | 5,290 | 5,290 | 3,015 | 3,015 |
| | 265,656 | 229,749 | 333,700 | 264,221 |

As at 31 December 2019, available-for-sale investments amounting to USD 19,004 thousand (2018: USD 34,671 thousand) of the Group and the Company are held by third parties under nominee arrangements (note 5).

Available-for-sale investments amounting to USD 1,065 thousand (2018: USD 1,944 thousand) of the Group and the Company are pledged against a facility granted to the Parent.

At the reporting date, investments of the Group and the Company amounting to USD 8,865 thousand (2018: USD 16,174 thousand) held as nominees on behalf of the Group and the Company were frozen against the nominees' board participations in the investee companies.

The Group holds certain quoted investments registered under its name which are held beneficially under nominee arrangements by various related parties amounting to USD 11,716 thousand (2018: USD 25,938 thousand). These assets are not recognised in the Group's consolidated and Company's separate statements of financial position. Out of these, investments amounting to USD 11,144 thousand (2018: USD 20,331 thousand) were pledged against a facility granted to the Parent. In addition, other unquoted investments held by the Group on behalf of other entities are included in note 5.

10. INVESTMENT IN SUBSIDIARIES

| | 2019 USD '000 | 2018 USD '000 |
|--|------------------|------------------|
| Trust Underwriting Limited | 655 | 655 |
| Afro Asian Assistance B.S.C. (c) | - | 968 |
| Trust International Insurance and Reinsurance Company, Société Anonyme | 37 | 37 |
| Trust Insurance Management W.L.L. | 265 | 265 |
| Oman Reinsurance Company S.A.O.C. ("Oman Re") (note 11.2) | - | 28,959 |
| | 957 | 30,884 |

The Group also has an indirect subsidiary 'Afro Asian Assistance LLC' which is a subsidiary of Afro Asian Assistance B.S.C. (c).

The Company has booked an impairment of USD 968 thousand (2018: USD 2,040 thousand) against its investment in Afro Asian Assistance B.S.C. (c) (note 23).

Investment in subsidiaries amounting to USD 241 thousand (2018: USD 11,576 thousand) of the Company are held by third parties as nominees of the Company (note 5).

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11. INVESTMENT IN ASSOCIATES

| | 2019 Group USD '000 | 2019 Company USD '000 | 2018 Group USD '000 | 2018 Company USD '000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Jordan Expatriates Investments Holding (note 11.1) | 4,459 | 4,459 | 5,470 | 5,470 |
| Oman Reinsurance Company S.A.O.C. (note 11.2) | 34,156 | 34,156 | - | - |
| At 31 December | 38,615 | 38,615 | 5,470 | 5,470 |

- 11.1 The Group and Company own 19.85% stake in Jordan Expatriates Investments Holding ("JEIH", "the "Associate"). The Associate is engaged in investment holdings and brokerage. The Associate is incorporated in Jordan and its shares are traded on the Amman stock exchange. Although the Group and the Company hold less than 20% of the equity shares of the associate, the Group and the Company exercise significant influence by virtue of its representation in the board of directors of the associate and have the power to participate in the financial and operating policy decisions.
- 11.2 The Group owns 49.25% stake in Oman Re. On 30 September 2019, due to the change in the Group's board of directors' representation, the Group lost control of Oman Re. Thus, the investment in Oman Re was remeasured at fair value and recorded as an investment in associate. This resulted in a gain of USD 5,337 thousand and USD 5,986 thousand in the Group's consolidated and Company's separate financial statements respectively (note 23). The results of Oman Re for the period from 1 January 2019 to 30 September 2019 are consolidated in the Group's consolidated statement of income for the year.

Group

The below table calculates the gain on disposal of subsidiary (note 23)

| | 2019 USD '000 |
|--|------------------|
| Carrying value of assets and liabilities as at 30 September 2019 | |
| Assets | |
| Cash and bank balances | 44,640 |
| Insurance and other receivables | 43,318 |
| Available-for-sale investments | 38,410 |
| Gross deferred acquisition costs | 8,573 |
| Reinsurers' share of technical reserves | 72,576 |
| Investment properties | 4,941 |
| Intangible assets | 392 |
| Property and equipment | 428 |
| | <u>213,278</u> |
| Liabilities | |
| Technical reserves | 116,826 |
| Insurance and other payables | 23,162 |
| Reinsurance payables | 7,787 |
| Reinsurers' share of deferred acquisition costs | 4,891 |
| | <u>152,666</u> |
| Carrying value of non-controlling interest | 31,004 |
| Net book value | 29,608 |
| Fair value of Oman Re shareholding on 30 September 2019 | 34,945 |
| | <u>5,337</u> |
| Gain on disposal | 5,337 |

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Company

The below table calculates the gain on disposal of subsidiary (note 23)

| | 2019 USD '000 |
|---|------------------|
| Book value of investment in Oman Re as at 30 September 2019 | 28,959 |
| Fair value of Oman Re shareholding on 30 September 2019 | 34,945 |
| Gain on disposal | 5,986 |

The summarised financial statements as at 31 December 2019 and 31 December 2018 of the associates are listed below:

| | 2019 JEIH USD '000 | 2019 Oman Re USD '000 | 2018 JEIH USD '000 | 2018 Oman Re USD '000 |
|--|-----------------------|--------------------------|-----------------------|--------------------------|
| Current assets | 19,012 | 138,184 | 25,037 | - |
| Non-current assets | 5,092 | 60,790 | 4,026 | - |
| Current liabilities | (900) | (138,950) | (804) | - |
| | 23,204 | 60,024 | 28,259 | - |
| Non-controlling interest | (739) | - | (702) | - |
| | 22,465 | 60,024 | 27,557 | - |
| Proportion of ownership | 19.85% | 49.25% | 19.85% | - |
| Implicit goodwill on recognition of an associate | - | 4,594 | - | - |
| Carrying amount of the investment in an associate | 4,459 | 34,156 | 5,470 | - |

| | 2019 JEIH USD '000 | 2019 Oman Re USD '000 | 2018 JEIH USD '000 | 2018 Oman Re USD '000 |
|-------------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| Revenue | 1,196 | 3,225 | 1,239 | - |
| (Loss) / profit before tax | (1,667) | 2,118 | 1,470 | - |
| Tax | (16) | - | (103) | - |
| (Loss) / profit for the year | (1,683) | 2,118 | 1,367 | - |
| Other comprehensive income | - | (159) | - | - |
| Total comprehensive (loss) / income | (1,683) | 1,959 | 1,367 | - |

Investment in associate amounting to USD 14,395 thousand (2018: USD 933 thousand) of the Group and the Company are held by third parties as nominees of the Group (note 5).

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12. GROSS DEFERRED ACQUISITION COSTS

| | 2019 Group USD '000 | 2019 Company USD '000 | 2018 Group USD '000 | 2018 Company USD '000 |
|-------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| At 1 January | 65,268 | 54,361 | 72,402 | 64,596 |
| Acquisition costs | 67,474 | 50,330 | 112,452 | 99,067 |
| Amortisation for the year | (88,695) | (72,959) | (119,821) | (109,302) |
| Derecognition of a subsidiary | (8,573) | - | - | - |
| Exchange difference | 124 | - | 235 | - |
| At 31 December | 35,598 | 31,732 | 65,268 | 54,361 |

13. TECHNICAL RESERVES**13.1 Group**

| | 2019 | | | 2018 | | |
|----------------------------|-------------------|----------------------------------|-----------------|-------------------|----------------------------------|-----------------|
| | Gross USD '000 | Reinsurers' share USD '000 | Net USD '000 | Gross USD '000 | Reinsurers' share USD '000 | Net USD '000 |
| Unearned premium reserve | 172,361 | (69,118) | 103,243 | 289,210 | (129,547) | 159,663 |
| Outstanding claims reserve | 782,259 | (353,076) | 429,183 | 857,041 | (402,763) | 454,278 |
| | 954,620 | (422,194) | 532,426 | 1,146,251 | (532,310) | 613,941 |

Unearned premium reserve

| | 2019 | | | 2018 | | |
|-------------------------------|-------------------|----------------------------------|-----------------|-------------------|----------------------------------|-----------------|
| | Gross USD '000 | Reinsurers' share USD '000 | Net USD '000 | Gross USD '000 | Reinsurers' share USD '000 | Net USD '000 |
| At 1 January | 289,210 | (129,547) | 159,663 | 338,978 | (151,269) | 187,709 |
| Premiums written (ceded) | 299,827 | (123,270) | 176,557 | 525,046 | (232,481) | 292,565 |
| Premiums (earned) amortised | (383,387) | 165,328 | (218,059) | (573,948) | 254,102 | (319,846) |
| Derecognition of a subsidiary | (33,861) | 18,503 | (15,358) | - | - | - |
| Exchange difference | 572 | (132) | 440 | (866) | 101 | (765) |
| At 31 December | 172,361 | (69,118) | 103,243 | 289,210 | (129,547) | 159,663 |

Notes To The Group's Consolidated and Company's Separate Financial Statements
For the year ended 31 December 2019

Outstanding claims reserve

| | 2019 | | | 2018 | | |
|-------------------------------------|-------------------|----------------------------------|-----------------|-------------------|----------------------------------|-----------------|
| | Gross USD '000 | Reinsurers' share USD '000 | Net USD '000 | Gross USD '000 | Reinsurers' share USD '000 | Net USD '000 |
| At 1 January | | | | | | |
| Reported claims | 676,103 | (353,031) | 323,072 | 697,855 | (368,086) | 329,769 |
| Incurred But Not Reported claims | 180,938 | (49,732) | 131,206 | 176,225 | (50,664) | 125,561 |
| | 857,041 | (402,763) | 454,278 | 874,080 | (418,750) | 455,330 |
| Incurred during the year | 323,194 | (141,435) | 181,759 | 385,009 | (166,169) | 218,840 |
| (Paid) recovered during the year | (311,912) | 133,100 | (178,812) | (398,386) | 180,532 | (217,854) |
| Derecognition of a subsidiary | (82,965) | 54,073 | (28,892) | - | - | - |
| Exchange difference | (3,099) | 3,949 | 850 | (3,662) | 1,624 | (2,038) |
| At 31 December | 782,259 | (353,076) | 429,183 | 857,041 | (402,763) | 454,278 |
| At 31 December | | | | | | |
| Reported claims | 637,745 | (319,800) | 317,945 | 676,103 | (353,031) | 323,072 |
| Incurred But Not Reported claims | 144,514 | (33,276) | 111,238 | 180,938 | (49,732) | 131,206 |
| | 782,259 | (353,076) | 429,183 | 857,041 | (402,763) | 454,278 |

13.2 Company

| | 2019 | | | 2018 | | |
|----------------------------|-------------------|----------------------------------|-----------------|-------------------|----------------------------------|-----------------|
| | Gross USD '000 | Reinsurers' share USD '000 | Net USD '000 | Gross USD '000 | Reinsurers' share USD '000 | Net USD '000 |
| Unearned premium reserve | 154,714 | (64,957) | 89,757 | 245,654 | (111,838) | 133,816 |
| Outstanding claims reserve | 744,180 | (339,683) | 404,497 | 757,305 | (358,487) | 398,818 |
| | 898,894 | (404,640) | 494,254 | 1,002,959 | (470,325) | 532,634 |

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Unearned premium reserve

| | 2019 | | | 2018 | | |
|-----------------------------|-------------------|----------------------------------|-----------------|-------------------|----------------------------------|-----------------|
| | Gross USD '000 | Reinsurers' share USD '000 | Net USD '000 | Gross USD '000 | Reinsurers' share USD '000 | Net USD '000 |
| At 1 January | 245,654 | (111,838) | 133,816 | 307,355 | (141,238) | 166,117 |
| Premiums written (ceded) | 245,246 | (95,396) | 149,850 | 458,789 | (190,355) | 268,434 |
| Premiums (earned) amortised | (336,186) | 142,277 | (193,909) | (520,490) | 219,755 | (300,735) |
| At 31 December | 154,714 | (64,957) | 89,757 | 245,654 | (111,838) | 133,816 |

Outstanding claims reserve

| | 2019 | | | 2018 | | |
|-------------------------------------|-------------------|----------------------------------|-----------------|-------------------|----------------------------------|-----------------|
| | Gross USD '000 | Reinsurers' share USD '000 | Net USD '000 | Gross USD '000 | Reinsurers' share USD '000 | Net USD '000 |
| At 1 January | | | | | | |
| Reported claims | 598,520 | (320,518) | 278,002 | 611,032 | (336,351) | 274,681 |
| Incurred But Not Reported claims | 158,785 | (37,969) | 120,816 | 158,674 | (43,035) | 115,639 |
| | 757,305 | (358,487) | 398,818 | 769,706 | (379,386) | 390,320 |
| Incurred during the year | 282,379 | (110,055) | 172,324 | 366,444 | (146,955) | 219,489 |
| (Paid) recovered during the year | (295,504) | 128,859 | (166,645) | (378,845) | 167,854 | (210,991) |
| At 31 December | 744,180 | (339,683) | 404,497 | 757,305 | (358,487) | 398,818 |
| At 31 December | | | | | | |
| Reported claims | 599,666 | (306,407) | 293,259 | 598,520 | (320,518) | 278,002 |
| Incurred But Not Reported claims | 144,514 | (33,276) | 111,238 | 158,785 | (37,969) | 120,816 |
| | 744,180 | (339,683) | 404,497 | 757,305 | (358,487) | 398,818 |

The Group's and the Company's technical reserves are reviewed annually for adequacy by a qualified actuary registered with the Central Bank of Bahrain.

The adequacy of technical reserves as of 31 December 2019 and 2018 were also peer reviewed by an international firm of actuaries.

Notes To The Group's Consolidated and Company's Separate Financial Statements
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Claims development - Group

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each consolidated and separate statements of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at average exchange rates of the current financial year.

| Gross | 2010 USD '000 | 2011 USD '000 | 2012 USD '000 | 2013 USD '000 | 2014 USD '000 | 2015 USD '000 | 2016 USD '000 | 2017 USD '000 | 2018 USD '000 | 2019 USD '000 | Total USD '000 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| At end of underwriting year | 1,400 | 3,084 | 1,485 | 908 | 3,969 | 3,236 | 6,789 | 2,263 | 2,733 | 1,719 | 27,586 |
| One year later | 73,498 | 85,848 | 81,441 | 83,383 | 108,426 | 119,068 | 130,138 | 270,468 | 177,431 | | 1,129,701 |
| Two years later | 150,409 | 212,336 | 172,059 | 174,260 | 191,642 | 206,776 | 223,515 | 419,991 | | | 1,750,988 |
| Three years later | 162,571 | 238,037 | 205,175 | 203,482 | 202,819 | 244,540 | 266,278 | | | | 1,522,902 |
| Four years later | 162,889 | 239,341 | 206,363 | 215,978 | 215,025 | 256,718 | | | | | 1,296,314 |
| Five years later | 158,656 | 243,957 | 206,153 | 218,337 | 219,379 | | | | | | 1,046,482 |
| Six years later | 160,133 | 244,634 | 209,076 | 216,724 | | | | | | | 830,567 |
| Seven years later | 159,705 | 243,811 | 204,842 | | | | | | | | 608,358 |
| Eight years later | 159,999 | 241,059 | | | | | | | | | 401,058 |
| Nine years later | 157,773 | | | | | | | | | | 157,773 |
| Current estimate of cumulative claims incurred | 157,773 | 241,059 | 204,842 | 216,724 | 219,379 | 256,718 | 266,278 | 419,991 | 177,431 | 1,719 | 2,161,914 |
| Cumulative payments to date | (150,524) | (230,967) | (182,229) | (193,934) | (191,518) | (194,526) | (173,103) | (231,917) | (32,932) | 2,252 | (1,579,398) |
| Incurring But Not Reported | - | 35 | 124 | 577 | 1,231 | 3,588 | 9,940 | 41,143 | 80,199 | 7,677 | 144,514 |
| | 7,249 | 10,127 | 22,737 | 23,367 | 29,092 | 65,780 | 103,115 | 229,217 | 224,698 | 11,648 | 727,030 |
| Liability in respect of years prior to 2010 | | | | | | | | | | | - |
| | | | | | | | | | | | 727,030 |
| Trust Underwriting Ltd | | | | | | | | | | | 55,229 |
| Total liability included in the consolidated statement of financial position | | | | | | | | | | | 782,259 |

Notes To The Group's Consolidated and Company's Separate Financial Statements
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| Net | 2010 USD '000 | 2011 USD '000 | 2012 USD '000 | 2013 USD '000 | 2014 USD '000 | 2015 USD '000 | 2016 USD '000 | 2017 USD '000 | 2018 USD '000 | 2019 USD '000 | Total USD '000 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| At end of underwriting year | 484 | 2,067 | 1,005 | 656 | 2,611 | 2,442 | 10,873 | 1,660 | 594 | 1,069 | 23,461 |
| One year later | 35,089 | 58,677 | 25,596 | 54,462 | 79,012 | 88,501 | 76,390 | 75,154 | 79,208 | | 572,089 |
| Two years later | 79,171 | 128,488 | 91,765 | 121,824 | 138,745 | 148,121 | 141,568 | 173,285 | | | 1,022,967 |
| Three years later | 84,650 | 147,691 | 116,129 | 143,066 | 146,282 | 171,598 | 166,165 | | | | 975,581 |
| Four years later | 82,129 | 149,324 | 116,025 | 149,228 | 151,399 | 178,099 | | | | | 826,204 |
| Five years later | 78,123 | 152,322 | 116,301 | 149,715 | 152,742 | | | | | | 649,203 |
| Six years later | 79,505 | 153,361 | 118,244 | 149,605 | | | | | | | 500,715 |
| Seven years later | 79,380 | 152,606 | 115,913 | | | | | | | | 347,899 |
| Eight years later | 79,330 | 151,293 | | | | | | | | | 230,623 |
| Nine years later | 77,743 | | | | | | | | | | 77,743 |
| Current estimate of cumulative claims incurred | 77,743 | 151,293 | 115,913 | 149,605 | 152,742 | 178,099 | 166,165 | 173,285 | 79,208 | 1,069 | 1,245,122 |
| Cumulative payments to date | (73,494) | (144,468) | (102,914) | (134,548) | (135,720) | (137,507) | (110,471) | (114,582) | (19,027) | 1,278 | (971,453) |
| Incurred But Not Reported | - | 26 | 99 | 434 | 934 | 2,769 | 7,370 | 31,873 | 60,425 | 7,308 | 111,238 |
| | 4,249 | 6,851 | 13,098 | 15,491 | 17,956 | 43,361 | 63,064 | 90,576 | 120,606 | 9,655 | 384,907 |
| Liability in respect of years prior to 2010 | | | | | | | | | | | - |
| | | | | | | | | | | | 384,907 |
| Trust Underwriting Ltd | | | | | | | | | | | 44,276 |
| Total net liability included in the consolidated statement of financial position | | | | | | | | | | | 429,183 |

Notes To The Group's Consolidated and Company's Separate Financial Statements
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Claims development - Company

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each consolidated and separate statements of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at average exchange rates of the current financial year.

| Gross | 2010 USD '000 | 2011 USD '000 | 2012 USD '000 | 2013 USD '000 | 2014 USD '000 | 2015 USD '000 | 2016 USD '000 | 2017 USD '000 | 2018 USD '000 | 2019 USD '000 | Total USD '000 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| At end of underwriting year | 1,400 | 3,084 | 1,485 | 908 | 3,969 | 3,236 | 6,789 | 2,263 | 2,733 | 1,719 | 27,586 |
| One year later | 73,498 | 85,848 | 81,441 | 83,383 | 108,426 | 119,068 | 130,138 | 270,468 | 177,431 | | 1,129,701 |
| Two years later | 150,409 | 212,336 | 172,059 | 174,260 | 191,642 | 206,776 | 223,515 | 419,991 | | | 1,750,988 |
| Three years later | 162,571 | 238,037 | 205,175 | 203,482 | 202,819 | 244,540 | 266,278 | | | | 1,522,902 |
| Four years later | 162,889 | 239,341 | 206,363 | 215,978 | 215,025 | 256,718 | | | | | 1,296,314 |
| Five years later | 158,656 | 243,957 | 206,153 | 218,337 | 219,379 | | | | | | 1,046,482 |
| Six years later | 160,133 | 244,634 | 209,076 | 216,724 | | | | | | | 830,567 |
| Seven years later | 159,705 | 243,811 | 204,842 | | | | | | | | 608,358 |
| Eight years later | 159,999 | 241,059 | | | | | | | | | 401,058 |
| Nine years later | 157,773 | | | | | | | | | | 157,773 |
| Current estimate of cumulative claims incurred | 157,773 | 241,059 | 204,842 | 216,724 | 219,379 | 256,718 | 266,278 | 419,991 | 177,431 | 1,719 | 2,161,914 |
| Cumulative payments to date | (150,524) | (230,967) | (182,229) | (193,934) | (191,518) | (194,526) | (173,103) | (231,917) | (32,932) | 2,252 | (1,579,398) |
| Incurring But Not Reported | - | 35 | 124 | 577 | 1,231 | 3,588 | 9,940 | 41,143 | 80,199 | 7,677 | 144,514 |
| | 7,249 | 10,127 | 22,737 | 23,367 | 29,092 | 65,780 | 103,115 | 229,217 | 224,698 | 11,648 | 727,030 |
| Liability in respect of years prior to 2010 | | | | | | | | | | | 17,150 |
| Total liability included in the Company's separate statement of financial position | | | | | | | | | | | 744,180 |

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| Net | 2010 USD '000 | 2011 USD '000 | 2012 USD '000 | 2013 USD '000 | 2014 USD '000 | 2015 USD '000 | 2016 USD '000 | 2017 USD '000 | 2018 USD '000 | 2019 USD '000 | Total USD '000 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| At end of underwriting year | 484 | 2,067 | 1,005 | 656 | 2,611 | 2,442 | 10,873 | 1,660 | 594 | 1,069 | 23,461 |
| One year later | 35,089 | 58,677 | 25,596 | 54,462 | 79,012 | 88,501 | 76,390 | 75,154 | 79,208 | | 572,089 |
| Two years later | 79,171 | 128,488 | 91,765 | 121,824 | 138,745 | 148,121 | 141,568 | 173,285 | | | 1,022,967 |
| Three years later | 84,650 | 147,691 | 116,129 | 143,066 | 146,282 | 171,598 | 166,165 | | | | 975,581 |
| Four years later | 82,129 | 149,324 | 116,025 | 149,228 | 151,399 | 178,099 | | | | | 826,204 |
| Five years later | 78,123 | 152,322 | 116,301 | 149,715 | 152,742 | | | | | | 649,203 |
| Six years later | 79,505 | 153,361 | 118,244 | 149,605 | | | | | | | 500,715 |
| Seven years later | 79,380 | 152,606 | 115,913 | | | | | | | | 347,899 |
| Eight years later | 79,330 | 151,293 | | | | | | | | | 230,623 |
| Nine years later | 77,743 | | | | | | | | | | 77,743 |
| Current estimate of cumulative claims incurred | 77,743 | 151,293 | 115,913 | 149,605 | 152,742 | 178,099 | 166,165 | 173,285 | 79,208 | 1,069 | 1,245,122 |
| Cumulative payments to date | (73,494) | (144,468) | (102,914) | (134,548) | (135,720) | (137,507) | (110,471) | (114,582) | (19,027) | 1,278 | (971,453) |
| Incurred But Not Reported | - | 26 | 99 | 434 | 934 | 2,769 | 7,370 | 31,873 | 60,425 | 7,308 | 111,238 |
| | 4,249 | 6,851 | 13,098 | 15,491 | 17,956 | 43,361 | 63,064 | 90,576 | 120,606 | 9,655 | 384,907 |
| Liability in respect of years prior to 2010 | | | | | | | | | | | 19,590 |
| Total net liability included in the Company's separate statement of financial position | | | | | | | | | | | 404,497 |

Notes To The Group's Consolidated and Company's Separate Financial Statements
For the year ended 31 December 2019

14. INVESTMENT PROPERTIES

| <i>Group</i> | 2019 | | |
|--|--------------------------|------------------------------|---------------------------|
| | <i>USD '000 Land</i> | <i>USD '000 Building</i> | <i>USD '000 Total</i> |
| Balance at 1 January | 13,370 | 24,809 | 38,179 |
| Revaluation loss during the year (note 24) | (326) | (3,207) | (3,533) |
| Derecognition of a subsidiary | - | (4,941) | (4,941) |
| Balance at 31 December | 13,044 | 16,661 | 29,705 |

| | 2018 | | |
|---|--------------------------|------------------------------|---------------------------|
| | <i>USD '000 Land</i> | <i>USD '000 Building</i> | <i>USD '000 Total</i> |
| Balance at 1 January | 13,529 | 26,533 | 40,062 |
| Revaluation gain / (loss) during the year (note 24) | (159) | (1,724) | (1,883) |
| Balance at 31 December | 13,370 | 24,809 | 38,179 |

| <i>Company</i> | 2019 | | |
|--|--------------------------|------------------------------|---------------------------|
| | <i>USD '000 Land</i> | <i>USD '000 Building</i> | <i>USD '000 Total</i> |
| Balance at 1 January | 13,370 | 19,868 | 33,238 |
| Revaluation loss during the year (note 24) | (326) | (3,207) | (3,533) |
| Balance at 31 December | 13,044 | 16,661 | 29,705 |

| | 2018 | | |
|---|--------------------------|------------------------------|---------------------------|
| | <i>USD '000 Land</i> | <i>USD '000 Building</i> | <i>USD '000 Total</i> |
| Balance at 1 January | 13,529 | 21,591 | 35,120 |
| Revaluation gain / (loss) during the year (note 24) | (159) | (1,723) | (1,882) |
| Balance at 31 December | 13,370 | 19,868 | 33,238 |

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Group and Company

Investment properties are stated at fair value. These properties are located in Bahrain, Malaysia, Oman, Cyprus and United Kingdom. All valuations are performed as at 31 December 2019 and 2018 respectively. The independent valuers engaged are specialists in valuing these types of investment properties and have recent experience in the location and category of the investment properties being valued.

The fair value is supported by market evidence and represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, in accordance with standards issued by the International Valuation Standards Committee. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the Group's consolidated and Company's separate statements of income.

For valuation of buildings, the valuations have used the discounted cash flow projections based on reliable estimates of future cash flows as well as comparable method to calculate the fair value of investment properties. For lands, the valuations are based on current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences. There have been no change in the valuation method from previous years. The assumptions used for the valuations are disclosed in note 29. Subsequent to the year end, the fair values of investment properties have reduced by USD 5,200 thousand.

15. PROPERTY AND EQUIPMENT

15.1 Group

| | <i>Land and building</i> | <i>Motor vehicles</i> | <i>Computer hardware and software</i> | <i>Furniture, fitting and fixtures</i> | <i>Total</i> |
|---|------------------------------|---------------------------|---|--|-----------------|
| | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> |
| <i>Fair value / Cost</i> | | | | | |
| At 1 January 2019 | 25,073 | 618 | 4,283 | 5,958 | 35,932 |
| Additions | - | 56 | 596 | 70 | 722 |
| Disposals | - | (219) | (4) | (118) | (341) |
| Derecognition of a subsidiary | - | (42) | (616) | (408) | (1,066) |
| Revaluation gain | 2,178 | - | - | - | 2,178 |
| Exchange differences | (209) | - | - | - | (209) |
| At 31 December 2019 | 27,042 | 413 | 4,259 | 5,502 | 37,216 |
| <i>Depreciation</i> | | | | | |
| At 1 January 2019 | 1,577 | 442 | 3,613 | 4,789 | 10,421 |
| Charge for the year (note 22, note 25) | 805 | 172 | 339 | 409 | 1,726 |
| Derecognition of a subsidiary | - | (42) | (323) | (272) | (638) |
| Disposals | - | (218) | (4) | (118) | (340) |
| Exchange differences | - | - | - | - | - |
| At 31 December 2019 | 2,382 | 354 | 3,625 | 4,808 | 11,169 |
| <i>Net book value</i> | | | | | |
| At 31 December 2019 | 24,660 | 59 | 634 | 694 | 26,047 |

Notes To The Group's Consolidated and Company's Separate Financial Statements
For the year ended 31 December 2019

| | <i>Land and building</i> | <i>Motor vehicles</i> | <i>Computer hardware and software</i> | <i>Furniture and fixtures</i> | <i>Total</i> |
|--|------------------------------|---------------------------|---|-----------------------------------|-----------------|
| | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> |
| <i>Fair value / Cost</i> | | | | | |
| At 1 January 2018 | 27,105 | 618 | 4,142 | 5,477 | 37,342 |
| Additions | - | - | 141 | 494 | 635 |
| Disposals | - | - | - | (13) | (13) |
| Revaluation loss | (2,227) | - | - | - | (2,227) |
| Exchange differences | 195 | - | - | - | 195 |
| At 31 December 2018 | 25,073 | 618 | 4,283 | 5,958 | 35,932 |
| <i>Net book value</i> | | | | | |
| At 1 January 2018 | 925 | 380 | 3,122 | 4,214 | 8,641 |
| Charge for the year (note 22, note 25) | 670 | 62 | 491 | 588 | 1,811 |
| Disposals | - | - | - | (13) | (13) |
| Exchange differences | (18) | - | - | - | (18) |
| At 31 December 2018 | 1,577 | 442 | 3,613 | 4,789 | 10,421 |
| <i>Net book value</i> | | | | | |
| At 31 December 2018 | 23,496 | 176 | 670 | 1,169 | 25,511 |

15.2 Company

| | <i>Land and building</i> | <i>Motor vehicles</i> | <i>Computer hardware and software</i> | <i>Furniture and fixtures</i> | <i>Total</i> |
|--|------------------------------|---------------------------|---|-----------------------------------|-----------------|
| | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> |
| <i>Fair value / Cost</i> | | | | | |
| At 1 January 2019 | 24,308 | 567 | 3,256 | 5,276 | 33,407 |
| Additions | - | - | 190 | 75 | 265 |
| Disposals | - | (219) | (4) | (118) | (341) |
| Revaluation gain | 2,178 | - | - | - | 2,178 |
| At 31 December 2019 | 26,486 | 348 | 3,442 | 5,233 | 35,509 |
| <i>Depreciation</i> | | | | | |
| At 1 January 2019 | 1,557 | 435 | 2,689 | 4,195 | 8,876 |
| Charge for the year (note 22, note 25) | 670 | 84 | 244 | 506 | 1,504 |
| Disposals | - | (218) | (4) | (118) | (340) |
| At 31 December 2019 | 2,227 | 301 | 2,929 | 4,583 | 10,040 |
| <i>Net book value</i> | | | | | |
| At 31 December 2019 | 24,259 | 47 | 513 | 650 | 25,469 |

Notes To The Group's Consolidated and Company's Separate Financial Statements
For the year ended 31 December 2019

| | <i>Land and building</i> | <i>Motor vehicles</i> | <i>Computer hardware and software</i> | <i>Furniture and fixtures</i> | <i>Total</i> |
|--|------------------------------|---------------------------|---|-----------------------------------|-----------------|
| | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> |
| <i>Fair value / Cost</i> | | | | | |
| At 1 January 2018 | 26,535 | 567 | 3,115 | 4,878 | 35,095 |
| Additions | - | - | 141 | 398 | 539 |
| Revaluation loss | (2,227) | - | - | - | (2,227) |
| At 31 December 2018 | 24,308 | 567 | 3,256 | 5,276 | 33,407 |
| <i>Depreciation</i> | | | | | |
| At 1 January 2018 | 887 | 373 | 2,368 | 3,748 | 7,376 |
| Charge for the year (note 22, note 25) | 670 | 62 | 321 | 447 | 1,500 |
| At 31 December 2018 | 1,557 | 435 | 2,689 | 4,195 | 8,876 |
| <i>Net book value</i> | | | | | |
| At 31 December 2018 | 22,751 | 132 | 567 | 1,081 | 24,531 |

Group and Company

Land and buildings are stated at fair value. These properties are located in Bahrain, Malaysia and Cyprus. All valuations are performed as at 31 December 2019 and 2018 respectively. The independent valuers engaged are specialists in valuing these types of properties and have recent experience in the location and category of the properties being valued.

The fair value is supported by market evidence and represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, in accordance with standards issued by the International Valuation Standards Committee. Valuations are performed on an annual basis.

For valuation of buildings, the valuations have used the discounted cash flow projections based on reliable estimates of future cash flow in addition to comparable method to calculate the fair value of properties. For lands, the valuations are based on current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences. There have been no change in the valuation method from previous years. The assumptions used for the valuations are disclosed in note 29.

All other items of property and equipment are recorded at cost less accumulated depreciation.

Notes To The Group's Consolidated and Company's Separate Financial Statements
For the year ended 31 December 2019

16. INTANGIBLE ASSETS*Group*

| | <i>License</i> <i>USD '000</i> | <i>Underwriting Capacity</i> <i>USD '000</i> | <i>Total</i> <i>USD '000</i> |
|--|-----------------------------------|---|---------------------------------|
| <i>Cost</i> | | | |
| At 1 January 2018 | 392 | 2,030 | 2,422 |
| At 31 December 2018 | 392 | 2,030 | 2,422 |
| Derecognition of a subsidiary | (392) | - | (392) |
| At 31 December 2019 | | 2,030 | 2,030 |
| <i>Amortisation</i> | | | |
| At 1 January 2018 | 377 | 1,737 | 2,114 |
| Charge for the year (note 21, note 24) | 6 | 32 | 38 |
| At 31 December 2018 | 383 | 1,769 | 2,152 |
| Charge for the year (note 21, note 24) | 9 | 11 | 20 |
| Derecognition of a subsidiary | (392) | - | (392) |
| At 31 December 2019 | - | 1,780 | 1,780 |
| <i>Carrying value</i> | | | |
| At 31 December 2019 | - | 250 | 250 |
| <i>Carrying value</i> | | | |
| At 31 December 2018 | 9 | 261 | 270 |

Underwriting capacity relates to the Group's subsidiary, Trust Underwriting Limited, which is a corporate member of Lloyd's of London and represents costs incurred to acquire rights to participate on various syndicate capacities.

Notes To The Group's Consolidated and Company's Separate Financial Statements
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17. EQUITY AND RESERVES

| | 2019 USD '000 | 2018 USD '000 |
|--|------------------|------------------|
| Authorised share capital: | | |
| 5,000,000 shares of USD 100 each (2018: 5,000,000 shares of USD100 each) | 500,000 | 500,000 |
| Issued and fully paid-up share capital: | | |
| 2,500,000 shares of USD 100 each (2018: 2,500,000 shares of USD100 each) | 250,000 | 250,000 |

Statutory reserve - Company

As required by the Bahrain Commercial Companies Law and the Insurance Regulations contained in Volume 3 of the Central Bank of Bahrain Rulebook, 10% of the profit for the year is to be transferred to a statutory reserve until such time as the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law number 21 of 2001 and following the approval of the CBB.

Proposed dividend

The Board of Directors does not recommend any cash dividend for the year ended 31 December 2019 (2018: Nil).

Non-controlling interest (NCI)

As disclosed in note 11, due to loss of control, the Group reclassified investment in Oman Re to investment in an associate and consequently derecognised non-controlling interest.

Set out below is summarised financial information for the subsidiary that has material non-controlling interest. The amounts disclosed for each subsidiary are before inter-company eliminations.

| | Oman Re 2019 USD '000 |
|--|-----------------------------|
| Summarised statement of financial position | |
| Total assets | 176,003 |
| Total liabilities | 117,939 |
| Net assets | 58,064 |
| Summarised statement of comprehensive income | |
| Gross written premium | 58,182 |
| Profit for the year | 1,717 |
| Other comprehensive loss | (772) |
| Total comprehensive income / (loss) | 944 |
| Profit allocated to NCI | 872 |
| Summarised cash flows | |
| Cash flows generated from / (used in) operating activities | 6,817 |
| Cash flows (used in) / generated from investing activities | (4,247) |
| Net increase in cash and cash equivalents | 2,570 |

During 2019 the Group lost control over Oman Re which got derecognised from investment in subsidiaries and recognised as an investment in associate (note 10).

Notes To The Group's Consolidated and Company's Separate Financial Statements
For the year ended 31 December 2019

18. INSURANCE AND OTHER PAYABLES

| | 2019 | | 2018 | |
|--|-------------------|---------------------|-------------------|---------------------|
| | Group USD '000 | Company USD '000 | Group USD '000 | Company USD '000 |
| Insurance payables | 50,989 | 49,599 | 65,458 | 38,293 |
| Outward pipeline premium provision | 55,950 | 55,950 | 92,446 | 80,116 |
| Outward treaty premium reserves loss deposit | 39,562 | 38,775 | 47,101 | 40,633 |
| Due to related parties (note 29) | 12,455 | 14,680 | 2,001 | 12,794 |
| Other accounts payable and accruals | 56,776 | 30,789 | 24,031 | 18,032 |
| Deposits from cedants recognised under deposit accounting method | 4,404 | 4,404 | 4,404 | 4,404 |
| Fair value of currency forward exchange contract (note 31) | 237 | 237 | 646 | 646 |
| Deferred tax liability (note 20) | 871 | 871 | - | - |
| | 221,244 | 195,305 | 236,087 | 194,918 |

19. REINSURERS' SHARE OF DEFERRED ACQUISITION COSTS

| | 2019 | | 2018 | |
|---------------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Group USD '000 | Company USD '000 | Group USD '000 | Company USD '000 |
| At 1 January | 36,518 | 32,395 | 35,129 | 32,556 |
| Acquisition costs - reinsurer | 34,631 | 28,468 | 52,619 | 54,421 |
| Amortisation for the year - reinsurer | (47,633) | (42,238) | (51,230) | (54,582) |
| Derecognition of a subsidiary | (4,891) | - | - | - |
| At 31 December | 18,625 | 18,625 | 36,518 | 32,395 |

20. DEFERRED TAXATION

The movement in deferred taxation is as follows:

| | Tax losses carried forward USD '000 | Claims equalisation USD '000 | Total USD '000 |
|--------------------------------------|---|------------------------------------|-------------------|
| At 1 January 2018 | 123 | - | 123 |
| Movement during the year (note 26) | (123) | - | (123) |
| At 31 December 2018 (note 18) | - | - | - |
| Movement during the year (note 26) | - | (871) | (871) |
| At 31 December 2019 (note 18) | - | (871) | (871) |

Notes To The Group's Consolidated and Company's Separate Financial Statements
For the year ended 31 December 2019

21. OTHER OPERATING INCOME / (EXPENSES)

| | 2019 | | 2018 | |
|---|-------------------|---------------------|-------------------|---------------------|
| | Group USD '000 | Company USD '000 | Group USD '000 | Company USD '000 |
| Management fees on minimum deposits | 924 | 1,118 | 610 | 286 |
| Investment income allocated to underwriting results | 1,552 | - | 183 | - |
| Interest on premium reserves | (870) | (384) | (985) | (440) |
| | 1,606 | 734 | (192) | (154) |

22. OPERATING EXPENSES

| | 2019 | | 2018 | |
|--|-------------------|---------------------|-------------------|---------------------|
| | Group USD '000 | Company USD '000 | Group USD '000 | Company USD '000 |
| Staff costs | 20,619 | 18,274 | 21,190 | 17,682 |
| Occupancy costs | 1,381 | 1,287 | 937 | 782 |
| Marketing and business travel | 810 | 755 | 1,923 | 1,605 |
| Professional expenses | 1,739 | 1,621 | 2,626 | 2,191 |
| Corporate costs | 1,302 | 1,214 | 1,927 | 1,608 |
| Depreciation and amortisation (notes 15, 16) | 1,288 | 1,107 | 1,399 | 1,112 |
| Information technology costs | 965 | 899 | 883 | 737 |
| Financial and other charges * | 12,954 | 12,074 | 1,626 | 1,128 |
| Others | 251 | 234 | 813 | 722 |
| | 41,309 | 37,465 | 33,324 | 27,567 |

* This includes an amount of USD 5,207 thousand (2018: USD 2,137 thousand) representing impairment of insurance and reinsurance receivables for the Group and an amount of USD 5,207 thousand (2018: USD 780 thousand) representing impairment of insurance and reinsurance receivables for the Company.

23. INVESTMENT INCOME - NET

| | 2019 | | 2018 | |
|---|-------------------|---------------------|-------------------|---------------------|
| | Group USD '000 | Company USD '000 | Group USD '000 | Company USD '000 |
| Dividend income | 2,685 | 2,595 | 6,055 | 5,756 |
| Gain on sale of available-for-sale investments | 4,397 | 3,502 | 1,437 | 1,464 |
| Gain on disposal of a subsidiary | 5,337 | 5,986 | - | - |
| Interest income on debt securities | 7,266 | 4,812 | 4,465 | 3,560 |
| Impairment loss on available-for-sale investments | (318) | (318) | (3,467) | (1,878) |
| Impairment loss on investment in subsidiaries (note 10) | - | (968) | - | (2,042) |
| | 19,367 | 15,609 | 8,490 | 6,860 |

Notes To The Group's Consolidated and Company's Separate Financial Statements
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24. LOSS FROM INVESTMENT PROPERTIES

| | 2019 | | 2018 | |
|--|-------------------|---------------------|-------------------|---------------------|
| | Group USD '000 | Company USD '000 | Group USD '000 | Company USD '000 |
| Rental income | 83 | 83 | 36 | 36 |
| Revaluation of investment properties (note 14) | (3,533) | (3,533) | (1,882) | (1,882) |
| | (3,450) | (3,450) | (1,846) | (1,846) |

25. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2019 | | 2018 | |
|--|-------------------|---------------------|-------------------|---------------------|
| | Group USD '000 | Company USD '000 | Group USD '000 | Company USD '000 |
| Staff costs | 6,660 | 6,566 | 6,664 | 6,176 |
| Occupancy costs | 466 | 463 | 317 | 273 |
| Marketing and business travel | 277 | 271 | 651 | 561 |
| Professional expenses | 583 | 582 | 888 | 765 |
| Corporate costs | 439 | 436 | 651 | 561 |
| Depreciation and amortisation (notes 15, 16) | 458 | 397 | 450 | 388 |
| Information technology costs | 327 | 322 | 299 | 258 |
| Financial and other charges * | 24,253 | 22,526 | 840 | 293 |
| Others | 84 | 84 | 292 | 252 |
| | 33,547 | 31,647 | 11,052 | 9,527 |

* This includes an amount of USD 21,854 thousand (2018: USD 566 thousand) representing impairment of related party receivables for the Group and an amount of USD 21,854 thousand (2018: USD 105 thousand) representing impairment of related party receivables.

26. OTHER EXPENSES

| | 2019 | | 2018 | |
|---|-------------------|---------------------|-------------------|---------------------|
| | Group USD '000 | Company USD '000 | Group USD '000 | Company USD '000 |
| Management fees | 3,832 | 4,051 | 7,039 | 5,667 |
| Impairment of receivable from Parent (note 8) | (18,606) | (18,606) | (41,427) | (41,427) |
| Profit from contracts recognised under deposit accounting method | - | - | 84 | 84 |
| Fair value gain on forward exchange contracts | 896 | 896 | 1,428 | 1,428 |
| Gain / (loss) on revaluation of fixed assets property and equipment | 2,151 | 2,151 | (2,926) | (2,926) |
| Share of (loss) / profit of associates | (1,123) | (1,123) | 271 | 271 |
| Miscellaneous (expenses) / income | (1,618) | 257 | 3,173 | 212 |
| | (14,468) | (12,374) | (32,358) | (36,691) |

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27. TAXATION

The Group's and the Company's branch in Cyprus is subject to a taxation charge of 12.5% (2018: 12.5%) on its chargeable income for the year. The branch in Labuan, Malaysia elected to pay tax of 3% on its profits (2018: elected to pay fixed tax of Malaysian Ringgit 20 thousand (USD 5 thousand)) according to tax legislation applicable to the branch. The subsidiary in Oman is subject to tax charge according to tax legislation in the Sultanate of Oman. The subsidiary in the United States of America ("USA") is also subject to local taxation. The subsidiary in UK is subject to tax charge according to tax legislation in the United Kingdom. The tax charge is analysed as follows:

| | 2019 | | 2018 | |
|-------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Group USD '000 | Company USD '000 | Group USD '000 | Company USD '000 |
| Corporation tax | 168 | 168 | 387 | 468 |
| Deferred tax charge (note 20) | 871 | 871 | - | - |
| | 1,039 | 1,039 | 387 | 468 |

28. CLASSIFICATION OF FINANCIAL INSTRUMENTS

At 31 December 2019 and 31 December 2018, financial instruments have been classified for the purpose of measurement under IAS 39 'Financial Instruments: Recognition and Measurement' as follows:

28.1 Group

| | 2019 | | | Total USD '000 |
|--|--|------------------------------------|--|-------------------|
| | At fair value through income statement USD '000 | Available- for-sale USD '000 | Loans and receiv- ables / amortised cost USD '000 | |
| <i>Financial assets</i> | | | | |
| Cash and bank balances | - | - | 64,106 | 64,106 |
| Insurance and other receivables (excluding "prepayments") | - | - | 604,431 | 604,431 |
| Available-for-sale investments | - | 265,656 | - | 265,656 |
| Reinsurers' share of outstanding claims reserve - reported claims (note 13.1) | - | - | 319,800 | 319,800 |
| | - | 265,656 | 988,337 | 1,253,993 |
| <i>Financial liabilities</i> | | | | |
| Insurance and other payables | - | - | 221,007 | 221,007 |
| Forward foreign exchange contracts (note 18) | 237 | - | - | 237 |
| Reinsurance payables | - | - | 21,881 | 21,881 |
| Outstanding claims reserve reported - claims (note 13.1) | - | - | 637,745 | 637,745 |
| | 237 | - | 880,633 | 880,870 |

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| | 2018 | | | |
|--|--|---|--|---------------------------|
| | <i>At fair value through income statement USD '000</i> | <i>Available- for-sale USD '000</i> | <i>Loans and receiv- ables / amortised cost USD '000</i> | <i>Total USD '000</i> |
| <i>Financial assets</i> | | | | |
| Cash and bank balances | - | - | 139,276 | 139,276 |
| Insurance and other receivables (excluding "prepayments") | - | - | 731,320 | 731,320 |
| Available-for-sale investments | - | 333,700 | - | 333,700 |
| Reinsurers' share of outstanding claims reserve - reported claims (note 13.1) | - | - | 353,031 | 353,031 |
| | - | 333,700 | 1,223,627 | 1,557,327 |
| <i>Financial liabilities</i> | | | | |
| Insurance and other payables | - | - | 235,441 | 235,441 |
| Forward foreign exchange contracts (note 18) | 646 | - | - | 646 |
| Reinsurance payables | - | - | 37,280 | 37,280 |
| Outstanding claims reserve reported - claims (note 13.1) | - | - | 676,103 | 676,103 |
| | 646 | - | 948,824 | 949,470 |

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28.2 Company

| | 2019 | | | Total USD '000 |
|--|--|------------------------------------|--|-------------------|
| | At fair value through income statement USD '000 | Available- for-sale USD '000 | Loans and receivables / amortised cost USD '000 | |
| <i>Financial assets</i> | | | | |
| Cash and bank balances | - | - | 50,190 | 50,190 |
| Insurance and other receivables (excluding "prepayments") | - | - | 585,849 | 585,849 |
| Available-for-sale investments | - | 229,749 | - | 229,749 |
| Reinsurers' share of outstanding claims reserve - reported claims (note 13.2) | - | - | 306,407 | 306,407 |
| | - | 229,749 | 942,446 | 1,172,195 |
| <i>Financial liabilities</i> | | | | |
| Insurance and other payables | - | - | 195,068 | 195,068 |
| Forward foreign exchange contracts (note 18) | 237 | - | - | 237 |
| Reinsurance payables | - | - | 16,614 | 16,614 |
| Outstanding claims reserve reported claims (note 13.2) | - | - | 599,666 | 599,666 |
| | 237 | - | 811,348 | 811,585 |

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| | 2018 | | | |
|--|--|---|--|---------------------------|
| | <i>At fair value through income statement USD '000</i> | <i>Available- for-sale USD '000</i> | <i>Loans and receivables / amortised cost USD '000</i> | <i>Total USD '000</i> |
| <i>Financial assets</i> | | | | |
| Cash and bank balances | - | - | 82,534 | 82,534 |
| Insurance and other receivables (excluding "prepayments") | - | - | 677,469 | 677,469 |
| Available-for-sale investments | - | 264,221 | - | 264,221 |
| Reinsurers' share of outstanding claims reserve - reported claims (note 13.2) | - | - | 320,518 | 320,518 |
| | - | 264,221 | 1,080,521 | 1,344,742 |
| <i>Financial liabilities</i> | | | | |
| Insurance and other payables | - | - | 194,272 | 194,272 |
| Forward foreign exchange contracts (note 18) | 646 | - | - | 646 |
| Reinsurance payables | - | - | 29,267 | 29,267 |
| Outstanding claims reserve reported claims (note 13.2) | - | - | 598,520 | 598,520 |
| | 646 | - | 822,059 | 822,705 |

Financial assets at fair value through statement of income represents positive change in fair value of foreign exchange forward contracts. These forward exchange contracts have been entered into to manage the Group's and the Company's currency exposure in Euro. These forward contracts have not been designated as cash flow, fair value or investment in foreign operations hedge.

AFS financial assets at fair value through OCI mainly include investments in quoted debt and equity securities. Fair values of these quoted debt and equity securities are determined by reference to published price quotations in an active market. A small portion of the AFS financial assets are invested in equity shares of non-listed companies. The Group and Company considers these investments to be strategic in nature.

The Group and the Company assessed these investments for impairment and recognised impairment loss as disclosed in note 22 to the Group's consolidated and Company's separate financial statements.

Loans and receivables are non-derivative financial assets carried at amortised cost. These represent bank balances, amounts due to / from companies under insurance contracts, outstanding claim reserve, and reinsurers' share of outstanding claim reserve. Except for bank balances in deposit accounts, these do not generate any interest income for the Group. The carrying value of these assets may be affected by changes in the credit risk of the counterparties.

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29. FAIR VALUE MEASUREMENT

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; or other valuation models.

Level 1, 2 and 3 are explained in note 5 under "Fair value measurement".

29.1 Group

Quantitative disclosures of the fair value measurement hierarchy for assets as at 31 December 2019:

| | 2019 | | |
|---|---------------------|---------------------|-------------------|
| | Level 1 USD '000 | Level 2 USD '000 | Total USD '000 |
| Investment properties | - | 29,705 | 29,705 |
| Property and equipment (Land and building only) (note 15.1) | - | 24,660 | 24,660 |
| Available-for-sale investments | | | |
| <i>Equities</i> | | | |
| Financial services | 67,898 | - | 67,898 |
| Others | - | 5,290 | 5,290 |
| <i>Mutual funds</i> | | | |
| Financial services | 32,670 | - | 32,670 |
| <i>Debt securities</i> | | | |
| Financial services | 71,418 | - | 71,418 |
| Government | 9,192 | - | 9,192 |
| Energy | 19,786 | - | 19,786 |
| Basic material | 16,225 | - | 16,225 |
| Communications | 2,942 | - | 2,942 |
| Consumer | 20,981 | - | 20,981 |
| Utilities | 12,340 | - | 12,340 |
| Industrial | 5,505 | - | 5,505 |
| Others | 1,409 | - | 1,409 |

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| | 2018 | | |
|---|----------------------------|----------------------------|--------------------------|
| | <i>Level 1</i> USD '000 | <i>Level 2</i> USD '000 | <i>Total</i> USD '000 |
| Investment properties | - | 38,179 | 38,179 |
| Property and equipment (Land and building only) (note 15.1) | - | 23,496 | 23,496 |
| Available-for-sale investments | | | |
| <i>Equities</i> | | | |
| Financial services | 83,104 | - | 83,104 |
| Others | 66,716 | 3,015 | 69,731 |
| <i>Mutual funds</i> | | | |
| Financial services | 31,260 | - | 31,260 |
| <i>Debt securities</i> | | | |
| Financial services | 56,358 | - | 56,358 |
| Government | 17,127 | - | 17,127 |
| Energy | 13,626 | - | 13,626 |
| Basic material | 4,670 | - | 4,670 |
| Communications | 8,542 | - | 8,542 |
| Consumer | 19,455 | - | 19,455 |
| Utilities | 15,428 | - | 15,428 |
| Industrial | 8,598 | - | 8,598 |
| Others | 5,801 | - | 5,801 |

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29.2 Company

| | 2019 | | |
|---|---------------------|---------------------|-------------------|
| | Level 1 USD '000 | Level 2 USD '000 | Total USD '000 |
| Investment properties | - | 29,705 | 29,705 |
| Property and equipment (Land and building only) (note 15.2) | - | 24,259 | 24,259 |
| Available-for-sale investments | | | |
| <i>Equities</i> | | | |
| Financial services | 30,925 | - | 30,925 |
| Others | 1,745 | 5,290 | 7,035 |
| <i>Mutual funds</i> | | | |
| Financial services | 31,260 | - | 31,260 |
| <i>Debt securities</i> | | | |
| Financial services | 41,391 | - | 41,391 |
| Government | 9,192 | - | 9,192 |
| Energy | 19,786 | - | 19,786 |
| Basic material | 16,225 | - | 16,225 |
| Communications | 2,942 | - | 2,942 |
| Consumer | 20,981 | - | 20,981 |
| Utilities | 12,340 | - | 12,340 |
| Industrial | 5,505 | - | 5,505 |
| Others | 1,409 | - | 1,409 |

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| | 2018 | | |
|---|----------------------------|----------------------------|--------------------------|
| | <i>Level 1</i> USD '000 | <i>Level 2</i> USD '000 | <i>Total</i> USD '000 |
| Investment properties | - | 33,238 | 33,238 |
| Property and equipment (Land and building only) (note 15.2) | - | 22,751 | 22,751 |
| Available-for-sale investments | | | |
| <i>Equities</i> | | | |
| Financial services | 83,104 | - | 83,104 |
| Others | 28,418 | 3,015 | 31,433 |
| <i>Mutual funds</i> | | | |
| Financial services | 31,260 | - | 31,260 |
| <i>Debt securities</i> | | | |
| Financial services | 44,612 | - | 44,612 |
| Government | 13,557 | - | 13,557 |
| Energy | 10,786 | - | 10,786 |
| Basic material | 3,697 | - | 3,697 |
| Communications | 6,762 | - | 6,762 |
| Consumer | 15,400 | - | 15,400 |
| Utilities | 12,213 | - | 12,213 |
| Industrial | 6,806 | - | 6,806 |
| Others | 4,591 | - | 4,591 |

Fair values of financial instruments

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. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The fair value of the Group's and Company's financial instruments such as cash and bank balances, outstanding claims reserve - reported claims (both gross and reinsurers' share), insurance and other receivables, reinsurance payables and insurance and other payables are not materially different from their carrying values largely due to the short term maturities of these instruments as shown in the Group's consolidated and Company's separate statements of financial position.

29.3 Group and Company

The Group and the Company does not have any financial liability at fair value through profit and loss except for negative fair value of forward exchange contracts. These liabilities fall within level 2 under fair value hierarchy.

Valuations are dated 31 December each year. During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value hierarchies.

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Fair values of property and equipment and investment properties

The following is the valuation methodology and the significant inputs used in the fair value measurement of property and equipment (land and building only) and investment properties

| <i>Description</i> | <i>Valuation techniques</i> | <i>Significant inputs</i> |
|-----------------------------------|--|---|
| Investment property - land | Comparable method | USD 513/sqm - USD 1,183/sqm |
| Investment property - building | Comparable method / income approach | USD 1,183/sqm - USD 11,940/sqm Rental yield of 7.50% |
| Property and equipment - land | Comparable method | USD 2,006/sqm |
| Property and equipment - building | Comparable method / income approach | USD 3,025/sqm - USD 12,272/sqm Rental yield of 7.50% |

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on the results and the equity due to changes in the fair value of Investment properties and property and equipment. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

| | <i>Change in variables</i> | <i>2019</i> | | <i>2018</i> | |
|---------------|----------------------------|------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
| | | <i>Impact on loss USD '000</i> | <i>Impact on equity USD '000</i> | <i>Impact on loss USD '000</i> | <i>Impact on equity USD '000</i> |
| Price per sqm | +/- 10% | 2,206 | 2,879 | 2,633 | 3,314 |
| Rental yield | +/- 1% | (899) | (2,962) | (727) | (2,405) |

30. RELATED PARTY TRANSACTIONS

30.1 Group

Related parties represent major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions.

Transactions with related parties included in the Group's consolidated statement of income are as follows:

| | <i>Shareholders</i> | <i>Entities related to shareholders</i> | <i>Other related parties</i> |
|--|--------------------------|---|----------------------------------|
| | <i>2019 USD '000</i> | <i>2019 USD '000</i> | <i>2019 USD '000</i> |
| Gross premiums written | - | 74,719 | - |
| Gross claims paid | - | 147,620 | - |
| Policy acquisition costs | - | 12,743 | - |
| Commissions and fees paid for (re) insurance | - | 7,679 | - |
| Share of loss of associates (note 25) | - | (1,123) | - |
| Amounts paid to related parties | - | - | - |
| Amounts received from related parties | 2,000 | - | - |
| Amounts paid on behalf of related parties | 5,979 | - | - |
| Dividend received from a related party | - | 2,595 | - |
| Management fees paid | 750 | - | - |
| Management fees received | - | 4,051 | - |

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| | <i>Shareholders</i> | <i>Entities related to shareholders</i> | <i>Other related parties</i> |
|---|--------------------------|---|----------------------------------|
| | <i>2018 USD '000</i> | <i>2018 USD '000</i> | <i>2018 USD '000</i> |
| Gross premiums written | - | 14,334 | - |
| Gross claims paid | - | 6,816 | - |
| Policy acquisition costs | - | 2,713 | - |
| Commissions and fees paid for (re) insurance | - | 799 | - |
| Share of profit of associates (note 25) | - | 271 | - |
| Amounts paid to related parties | - | 2,426 | - |
| Amounts received from related parties | - | 5,600 | - |
| Amounts received on behalf of related parties | 5,305 | - | - |
| Amounts paid on behalf of related parties | - | 5,217 | - |
| Dividend paid | 1,000 | - | - |
| Management fees paid | - | 630 | - |

Balances with related parties included in the Group's consolidated statement of financial position are as follows:

| | <i>Shareholders</i> | <i>Entities related to shareholders</i> | <i>Other related parties</i> |
|---|--------------------------|---|----------------------------------|
| | <i>2019 USD '000</i> | <i>2019 USD '000</i> | <i>2019 USD '000</i> |
| Available-for-sale investments | - | 59,103 | - |
| Insurance and other receivables (note 8) | 290,469 | 12,395 | - |
| Insurance and other payables (note 18) | - | 12,455 | - |
| Assets held by related parties on behalf of the Group | 2,955 | 10,573 | 1,206 |
| Assets held on behalf of related parties | 5,080 | 178,654 | 11,144 |

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| | <i>Shareholders</i> | <i>Entities related to shareholders</i> | <i>Other related parties</i> |
|---|--------------------------|---|----------------------------------|
| | <i>2018 USD '000</i> | <i>2018 USD '000</i> | <i>2018 USD '000</i> |
| Available-for-sale investments | - | 107,827 | - |
| Insurance and other receivables (note 8) | 316,281 | 28,431 | - |
| Insurance and other payables (note 18) | - | 2,001 | - |
| Assets held by related parties on behalf of the Group | 5,391 | 16,076 | 2,325 |
| Assets held on behalf of related parties | 8,581 | 208,525 | 20,331 |

The Group has a put option to dispose off one of its properties (property and equipment and investment property) to the shareholder at a fixed price of USD 35,000 thousand. The put option is valid up to 31 December 2021.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

| | <i>2019</i> | <i>2018</i> |
|--|-----------------|-----------------|
| | <i>USD '000</i> | <i>USD '000</i> |
| Directors' remuneration including sitting fees | 583 | 623 |
| Salaries and benefits | 1,978 | 1,674 |
| End of service benefits | 260 | 55 |
| | 2,821 | 2,352 |

During 2018, one of the investment property located in Bahrain is leased out to a non-executive independent director of the Company. The Group recorded rental income of USD 31 thousand for the year 2018 from the property.

30.2 Company

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions.

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Transactions with related parties included in the Company's separate statement of income are as follows:

| | <i>Shareholders</i> | <i>Entities related to shareholders</i> | <i>Other related parties</i> |
|--|---------------------|---|------------------------------|
| | 2019 USD '000 | 2019 USD '000 | 2019 USD '000 |
| Gross premiums written | - | 74,719 | - |
| Gross claims paid | - | 147,620 | - |
| Policy acquisition costs | - | 12,743 | - |
| Commissions and fees paid for (re) insurance | - | 7,679 | - |
| Share of loss of associates (note 25) | - | (1,123) | - |
| Amounts paid to related parties | - | 450 | - |
| Amounts received from related parties | 2,000 | - | - |
| Amounts paid on behalf of related parties | 5,979 | 853 | - |
| Dividend received from a related party | - | 2,595 | - |
| Management fees paid | 750 | - | - |
| Management fees received | - | 4,051 | - |

| | <i>Shareholders</i> | <i>Entities related to shareholders</i> | <i>Other related parties</i> |
|--|---------------------|---|------------------------------|
| | 2018 USD '000 | 2018 USD '000 | 2018 USD '000 |
| Gross premiums written | - | 14,350 | - |
| Gross claims paid | - | 7,162 | - |
| Policy acquisition costs | - | 2,716 | - |
| Commissions and fees paid for (re) insurance | - | 799 | - |
| Share of profit of an associate (note 25) | - | 271 | - |
| Amounts paid to related parties | - | 2,426 | - |
| Amounts received from related parties | - | 5,600 | - |
| Amounts paid on behalf of related parties | 5,305 | - | - |
| Amounts received from related parties | - | 5,217 | - |
| Management fees paid | 1,000 | - | - |
| Management fees received | - | 1,035 | - |

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Balances with related parties included in the Company's separate statement of financial position are as follows:

| | <i>Shareholders</i> | <i>Entities related to shareholders</i> | <i>Other related parties</i> |
|---|--------------------------|---|------------------------------|
| | <i>2019 USD '000</i> | <i>2019 USD '000</i> | <i>2019 USD '000</i> |
| Available-for-sale investments | - | 59,103 | - |
| Insurance and other receivables (note 8) | 290,469 | 34,868 | - |
| Insurance and other payables (note 18) | - | 14,680 | - |
| Assets held by related parties on behalf of the Company | 2,955 | 10,573 | 1,206 |
| Assets held on behalf of related parties | 5,080 | 178,654 | 11,144 |

| | <i>Shareholders</i> | <i>Entities related to shareholders</i> | <i>Other related parties</i> |
|---|--------------------------|---|------------------------------|
| | <i>2018 USD '000</i> | <i>2018 USD '000</i> | <i>2018 USD '000</i> |
| Available-for-sale investments | - | 107,827 | - |
| Insurance and other receivables (note 8) | 316,281 | 28,684 | - |
| Insurance and other payables (note 18) | - | 12,794 | - |
| Assets held by related parties on behalf of the Company | 5,391 | 16,076 | 2,325 |
| Assets held on behalf of related parties | 8,581 | 208,525 | 20,331 |

The Company has a put option to dispose of one of its properties (property and equipment and investment property) to the shareholder at a fixed price of USD 35,000 thousand. The put option is valid up to 31 December 2021.

Compensation of key management personnel

The remuneration of directors and key management personnel during the year was as follows:

| | <i>2019 USD '000</i> | <i>2018 USD '000</i> |
|--|--------------------------|--------------------------|
| Directors' remuneration including sitting fees | 583 | 563 |
| Salaries and benefits | 1,804 | 1,067 |
| End of service benefits | 260 | 55 |
| | 2,647 | 1,685 |

During 2018, one of the investment property located in Bahrain is leased out to a non-executive independent director of the Company. The Group recorded rental income of USD 31 thousand for the year 2018 from the property.

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31. CONTINGENCIES AND COMMITMENTS

The Group has provided guarantees as follows:

- 31.1** Guarantee amounting to approximately USD 1,016 thousand (Euro 907 thousand) [2018: USD 1,037 thousand (Euro 900 thousand)] as a statutory requirement by Superintendent of Insurance in Cyprus in respect of its Cyprus branch.
- 31.2** Guarantee amounting to approximately USD 13,313 thousand (Pound Sterling 10,371 thousand) [2018: USD 13,234 thousand (Pound Sterling 10,371 thousand)] in favour of The Society & Council of Lloyds on behalf of a subsidiary.
- 31.3** Guarantee amounting to approximately USD 6,000 thousand (2018: Nil) in favour of an insurance company that is fronting insurance contracts for the Group and the Company.
- 31.4** For the year 2018, a guarantee amounting to approximately USD 13,909 (Pound Sterling 10,900 thousand) in favour of The Society & Council of Lloyds under insurance contract entered into by the Group.

All guarantees are secured against the bank balances of the Group.

The Company is a defendant in a legal case raised by a third party against the Company and other related parties, which is at its procedural stage and is still pending before the Examining Judge in Beirut, Lebanon. The Company's external legal consultant believes that the accusations mentioned in this case lack any factual or legal basis.

The Group is satisfied that there will not be any adverse effect, hence has not recognised any provision against this claim in the Group's consolidated and Company's separate financial statements.

32. DERIVATIVES

As at 31 December 2019, the Group and Company entered into following derivatives:

| | Positive fair value | Negative fair value | Notional amounts by term to maturity | | |
|---|------------------------|------------------------|--------------------------------------|--------------------|------------------|
| | | | Total | Within 3 months | 3 - 12 months |
| 31 December 2019 | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| <i>Derivatives*</i> | | | | | |
| Forward foreign exchange contracts (note 18) | - | 237 | 17,963 | 17,963 | - |
| 31 December 2018 | | | | | |
| <i>Derivatives*</i> | | | | | |
| Forward foreign exchange contracts (note 18) | - | 646 | 18,329 | 18,329 | - |

* The Group and Company uses forward currency contracts to manage its currency exposure denominated in Euro. These currency forward contracts are not designated as cash flow, fair value or net investment in foreign operations hedges and are entered into for periods consistent with currency transaction exposures.

Forward foreign exchange contracts are contractual agreements to either buy or sell a specified currency, at a specific price and date in the future, and are customised contracts transacted in the over-the-counter market.

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33. RISK MANAGEMENT

Governance framework

The primary objective of the Group's and Company's risk and financial management framework is to protect the Group from events that hinder the sustainable achievement of financial performance objectives. The Group and the Company have established an efficient and effective risk management system based on terms of reference from the Board of Directors and its sub-committees. The Group has formed a Risk Committee which is responsible for ensuring that the Group's overall risk management functions are operating effectively.

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. In addition, a Group policy framework which sets out the risk profiles for the Group and the Company, risk management, control and business conduct standards for the Group's and the Company's operations have been implemented. As part of the Group's and the Company's enterprise wide risk management implementation, the Group's risk management department is also responsible for building a risk awareness culture and reporting to the Risk Committee.

The Group and the Company has also developed adequate policies and procedures, delegations of authority and limit systems to ensure appropriate quality and diversification of assets, align underwriting and reinsurance strategies to the Group's goals and objectives and specify reporting requirements.

The Company is regulated by the Central Bank of Bahrain and its subsidiary, Trust Underwriting Limited, is regulated by the Financial Conduct Authority of the United Kingdom. Regulatory intervention helps the Group and the Company in protecting the rights of policyholders and other counterparties as well as ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks and catastrophes which could significantly impact the Group's and the Company's operations.

The various risks that the Group and the Company are exposed to are discussed in the following sections.

Underwriting risks

The Group and the Company manages its underwriting risks principally through policies and guidelines for accepting risks and insurance arrangements.

Risks are accepted based on an evaluation of pricing and prior underwriting experience in accordance with underwriting guidelines that have been laid out for each line of business. Underwriting guidelines are constantly reviewed and updated to take account of market developments, performance and opportunities. Accumulation limits are set to control exposures to natural hazards and catastrophes. Various underwriting and approval limits are specified for accepting risks.

The reinsurance strategy of the Group and the Company is designed to protect exposures to individual and event risks based on current risk exposures through cost effective reinsurance arrangements.

Reserving risks are addressed by ensuring prudent and appropriate reserving for business written by the Group and the Company, thus ensuring that sufficient funds are available to cover future claims. Reserving practices involve the use of actuarial analysis and application of underwriting judgement. These are supplemented by periodical independent actuarial reviews for determining the adequacy of reserves.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group and the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group and the Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Frequency and severity of claims

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria.

Reinsurance risk

In order to control financial exposure arising from large claims, the Group and the Company in their normal course of business enter into agreements with other parties for reinsurance purposes. This is a common practice in the insurance industry.

Reinsurance contracts do not relieve the Group or the Company from their obligations to policyholders and consequently

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the Group and the Company remain liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the insurance agreements.

Concentration of reinsurance risk

In order to limit their exposure to significant losses that might arise from large claims from insolvent reinsurers the Group and the Company continuously evaluate their reinsurers' financial condition and follow up developments in their areas of operations.

The concentration of insurance risk before and after reinsurance by type of insurance risk accepted is summarised below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from these insurance contracts.

Concentration of reinsurance risk by type of contract

| Group | 31 December 2019 | | 31 December 2018 | |
|-------------------------|------------------|----------------|------------------|----------|
| | Gross | Net | Gross | Net |
| | USD '000 | USD '000 | USD '000 | USD '000 |
| Type of contract | | | | |
| Facultative | 438,343 | 170,368 | 474,443 | 174,454 |
| Treaty | 343,916 | 258,815 | 382,598 | 279,824 |
| | 782,259 | 429,183 | 857,041 | 454,278 |

| Company | 31 December 2019 | | 31 December 2018 | |
|-------------------------|------------------|----------------|------------------|----------|
| | Gross | Net | Gross | Net |
| | USD '000 | USD '000 | USD '000 | USD '000 |
| Type of contract | | | | |
| Facultative | 417,005 | 160,569 | 419,231 | 153,156 |
| Treaty | 327,175 | 243,928 | 338,074 | 245,662 |
| | 744,180 | 404,497 | 757,305 | 398,818 |

Geographical concentration of reinsurance risk - gross

| | 31 December 2019 | | 31 December 2018 | |
|--------|------------------|----------------|------------------|----------|
| | Group | Company | Group | Company |
| | USD '000 | USD '000 | USD '000 | USD '000 |
| GCC | 319,674 | 304,113 | 345,800 | 305,558 |
| Asia | 237,355 | 225,801 | 284,120 | 251,056 |
| Africa | 84,818 | 80,689 | 102,280 | 90,378 |
| Europe | 128,177 | 121,938 | 113,674 | 100,446 |
| Others | 12,235 | 11,639 | 11,167 | 9,868 |
| | 782,259 | 744,180 | 857,041 | 757,305 |

Sources of uncertainty in the estimation of future claim payments

Claims on contracts are payable on a claims-occurrence basis. The Group and the Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by contract holders and the risk management procedures they adopted.

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The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group and the Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group and the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

Note 13 presents the development of the estimate of ultimate claim cost for claims notified in a given year. This gives an indication of the accuracy of the Group's and the Company's estimation technique for claims payments.

Syndicate risk (Trust Underwriting Limited)

The syndicates' activities expose one subsidiary to a variety of financial and non-financial risks. The Managing Agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the Managing Agent prepares an Individual Capital Assessment (ICA) for the syndicate, the purpose of this being to agree capital requirements with Lloyds based on an agreed assessment of the risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the ICA; and typically the majority of the total assessed value of the risks concerned is attributable to Insurance Risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet the share of claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade.

The Group manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate, with a review of the business plan prepared for each syndicate by its Managing Agent. In addition quarterly reports and annual accounts together with any other information made available by the Managing Agent are monitored and if necessary enquired into. If the Group considers that the risks being run by the syndicate are excessive it will seek confirmation from the Managing Agent that adequate management of the risk is in place and if considered appropriate will withdraw support from the next underwriting year.

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Market Risk

(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's and the Company's principal transactions are carried out in USD, Euro and British Pound (GBP) and their exposure to foreign exchange risk arises primarily because the Euro and British Pound (GBP) are not pegged to the United States Dollar. The table below summarises the Group and Company's exposure to foreign currency exchange rate risk at the Group and Company's consolidated statement of financial position date by categorising monetary assets and liabilities by major currencies.

| Currency risk - Group | 31 December 2019 | | | | |
|--|------------------------|------------------|---------------------------|--------------------|-------------------|
| | US Dollars USD '000 | Euro USD '000 | British Pound USD '000 | Others USD '000 | Total USD '000 |
| ASSETS | | | | | |
| Cash and bank balances | 30,087 | 3,008 | 21,995 | 9,016 | 64,106 |
| Insurance and other receivables (excluding "prepayments") | 556,590 | 4,869 | 457 | 42,515 | 604,431 |
| Available-for-sale investments | 181,446 | 6,505 | - | 77,705 | 265,656 |
| Reinsurers' share of technical reserves - reported claims | 135,948 | 51,969 | 530 | 131,353 | 319,800 |
| | 904,071 | 66,351 | 22,982 | 260,589 | 1,253,993 |
| LIABILITIES | | | | | |
| Insurance and other payables | 159,873 | 4,779 | 573 | 56,019 | 221,244 |
| Reinsurance payables | 21,881 | - | - | - | 21,881 |
| Technical reserves - reported claims | 271,109 | 103,638 | 1,058 | 261,940 | 637,745 |
| | 452,863 | 108,417 | 1,631 | 317,959 | 880,870 |
| OFF BALANCE SHEET ITEMS | | | | | |
| Forward currency sale contracts (note 32) | - | 17,963 | - | - | 17,963 |
| | - | 17,963 | - | - | 17,963 |
| Net exposure | 451,208 | (24,103) | 21,351 | (57,370) | 391,086 |

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Currency risk - Group

31 December 2018

| | US Dollars USD '000 | Euro USD '000 | British Pound USD '000 | Others USD '000 | Total USD '000 |
|--|------------------------|------------------|---------------------------|--------------------|-------------------|
| ASSETS | | | | | |
| Cash and bank balances | 70,542 | 8,956 | 41,750 | 18,028 | 139,276 |
| Insurance and other receivables (excluding "prepayments") | 581,707 | 43,252 | 1,049 | 105,312 | 731,320 |
| Available-for-sale investments | 183,722 | 5,656 | - | 144,322 | 333,700 |
| Reinsurers' share of technical reserves - reported claims | 178,289 | 12,533 | 117 | 162,092 | 353,031 |
| | 1,014,260 | 70,397 | 42,916 | 429,754 | 1,557,327 |
| LIABILITIES | | | | | |
| Insurance and other payables | 137,074 | 47,639 | 2,312 | 49,062 | 236,087 |
| Reinsurance payables | 37,280 | - | - | - | 37,280 |
| Technical reserves - reported claims | 340,616 | 58,782 | 533 | 276,172 | 676,103 |
| | 514,970 | 106,421 | 2,845 | 325,234 | 949,470 |
| OFF BALANCE SHEET ITEMS | | | | | |
| Forward currency sale contracts (note 32) | - | 18,329 | - | - | 18,329 |
| | - | 18,329 | - | - | 18,329 |
| Net exposure | 499,290 | (17,695) | 40,071 | 104,520 | 589,528 |

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

| | Change in variables | 2019 | 2019 |
|-----------------|---------------------|----------------------------|------------------------------|
| | | Impact on loss USD '000 | Impact on equity USD '000 |
| Currency | | | |
| British Pound | + / - 10% | (2,410) | (2,410) |
| Euro | + / - 10% | 2,135 | 2,135 |
| <hr/> | | | |
| | Change in variables | 2018 | 2018 |
| | | Impact on loss USD '000 | Impact on equity USD '000 |
| Currency | | | |
| British Pound | + / - 10% | (1,770) | (1,838) |
| Euro | + / - 10% | 4,007 | 4,007 |

Currency risk - Company

The table below summarises the Company's exposure to foreign currency exchange rate risk at the Company's separate statement of financial position date by categorising monetary assets and liabilities by major currencies.

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| | 31 December 2019 | | | | |
|--|--------------------------------------|--------------------------------|---|---------------------------------|---------------------------------|
| | <i>US Dollars</i> <i>USD '000</i> | <i>Euro</i> <i>USD '000</i> | <i>British Pound</i> <i>USD '000</i> | <i>Other</i> <i>USD '000</i> | <i>Total</i> <i>USD '000</i> |
| ASSETS | | | | | |
| Cash and bank balances | 23,556 | 2,355 | 17,220 | 7,059 | 50,190 |
| Insurance and other receivables (excluding "prepayments") | 539,479 | 4,719 | 443 | 41,208 | 585,849 |
| Available-for-sale investments | 156,921 | 5,626 | - | 67,202 | 229,749 |
| Reinsurers' share of technical reserves - reported claims | 130,255 | 49,793 | 508 | 125,851 | 306,407 |
| | 850,211 | 62,493 | 18,171 | 241,320 | 1,172,195 |
| LIABILITIES | | | | | |
| Insurance and other payables | 141,129 | 4,219 | 506 | 49,451 | 195,305 |
| Reinsurance payables | 16,614 | - | - | - | 16,614 |
| Technical reserves - reported claims | 254,921 | 97,450 | 995 | 246,300 | 599,666 |
| | 412,664 | 101,669 | 1,501 | 295,751 | 811,585 |
| OFF BALANCE SHEET ITEMS | | | | | |
| Forward currency sale contracts (note 32) | - | 17,963 | - | - | 17,963 |
| | - | 17,963 | - | - | 17,963 |
| Net exposure | 437,547 | (21,213) | 16,670 | (54,431) | 378,573 |

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| | 31 December 2018 | | | | |
|--|------------------|----------|---------------|----------|-----------|
| | US Dollars | Euro | British Pound | Other | Total |
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 |
| ASSETS | | | | | |
| Cash and bank balances | 41,803 | 5,307 | 24,741 | 10,683 | 82,534 |
| Insurance and other receivables (excluding "prepayments") | 538,873 | 40,067 | 972 | 97,557 | 677,469 |
| Available-for-sale investments | 145,470 | 4,478 | - | 114,273 | 264,221 |
| Reinsurers' share of technical reserves - reported claims | 161,869 | 11,379 | 106 | 147,164 | 320,518 |
| | 888,015 | 61,231 | 25,819 | 369,677 | 1,344,742 |
| LIABILITIES | | | | | |
| Insurance and other payables | 112,947 | 39,440 | 1,914 | 40,617 | 194,918 |
| Reinsurance payables | 29,267 | - | - | - | 29,267 |
| Technical reserves - reported claims | 301,530 | 52,037 | 472 | 244,481 | 598,520 |
| | 443,744 | 91,477 | 2,386 | 285,098 | 822,705 |
| OFF BALANCE SHEET ITEMS | | | | | |
| Forward currency sale contracts (note 32) | - | 18,329 | - | - | 18,329 |
| | - | 18,329 | - | - | 18,329 |
| Net exposure | 444,271 | (11,917) | 23,433 | 84,579 | 540,366 |

| | Change in variables | 2019 | 2019 |
|-----------------|---------------------|----------------|------------------|
| | | Impact on loss | Impact on equity |
| | | USD '000 | USD '000 |
| Currency | | | |
| British Pound | + / - 10% | (2,121) | (2,121) |
| Euro | + / - 10% | 1,667 | 1,667 |

| | Change in variables | 2018 | 2018 |
|-----------------|---------------------|----------------|------------------|
| | | Impact on loss | Impact on equity |
| | | USD '000 | USD '000 |
| Currency | | | |
| British Pound | + / - 10% | 2,286 | 2,286 |
| Euro | + / - 10% | (858) | (858) |

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(b) Interest rate risk - Group and Company

"Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group's and Company's time deposits are at fixed interest rates and mature within six months. Investments in bonds consist of both fixed rate and floating rate instruments and have maturities ranging from 1 year to 7 years.

The Group and Company do not use any derivative financial instruments to hedge their interest rate risk.

A 50 basis point change in interest rates would impact the Group's consolidated and Company's separate statements of income and equity by USD 740 thousand (2018: USD 706 thousand).

(c) Market risk - Group and Company

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group and the Company are exposed to market risk with respect to the available-for-sale investments (listed and unlisted shares and bonds). The geographical concentration of the Group's and the Company's investments is set out below.

Geographical concentration of investments

| | <i>Group</i> | <i>Company</i> | Group | Company |
|---------------|-----------------|-----------------|----------|----------|
| | <i>2019</i> | <i>2019</i> | 2018 | 2018 |
| | <i>USD '000</i> | <i>USD '000</i> | USD '000 | USD '000 |
| Asia | 56,071 | 56,071 | 72,165 | 57,749 |
| Africa | 8,944 | 8,944 | 3,958 | 3,167 |
| Europe | 59,325 | 23,418 | 32,267 | 25,821 |
| GCC | 84,783 | 84,783 | 179,380 | 140,730 |
| North America | 42,511 | 42,511 | 40,409 | 32,336 |
| South America | 14,022 | 14,022 | 5,521 | 4,418 |
| | 265,656 | 229,749 | 333,700 | 264,221 |

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The Group and Company limit market risk by maintaining a diversified portfolio, proactively monitoring the key factors that affect stock and bond market movements and periodically analysing the operating and financial performance of investees.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (i.e. changes in fair value of available for sale financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

| | <i>Change in variables</i> | <i>Group</i> | | <i>Company</i> | |
|-----------------------|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | <i>2019</i> | <i>2018</i> | <i>2019</i> | <i>2018</i> |
| | | <i>Impact on equity</i> | <i>Impact on equity</i> | <i>Impact on equity</i> | <i>Impact on equity</i> |
| | | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> |
| Market indices | | | | | |
| Muscat stock exchange | + / - 15% | 430 | 845 | 430 | 845 |
| Doha stock exchange | + / - 15% | 8,865 | 16,225 | 8,865 | 16,225 |
| UAE stock exchange | + / - 15% | 1,734 | - | 1,734 | - |
| Riyadh stock exchange | + / - 15% | - | 70 | - | 70 |
| London Stock Exchange | + / - 15% | 8,486 | 10,761 | 8,486 | 9,357 |

Geographical concentration of bank balances

| | <i>Group</i> | <i>Company</i> | <i>Group</i> | <i>Company</i> |
|--------|-----------------|-----------------|-----------------|-----------------|
| | <i>2019</i> | <i>2019</i> | <i>2018</i> | <i>2018</i> |
| | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> |
| Asia | 903 | 903 | 8,554 | 8,554 |
| Africa | 61 | 61 | 393 | 393 |
| Europe | 50,955 | 37,154 | 55,597 | 46,733 |
| GCC | 12,162 | 12,048 | 74,712 | 26,833 |
| | 64,081 | 50,166 | 139,256 | 82,514 |

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(d) Liquidity risk - Group

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise. The Group and the Company has sufficient liquidity at the reporting date.

The table below summarises the maturity profile of available financial assets and liabilities of the Group based on remaining undiscounted contractual obligations.

| | 2019 | | | | | | | |
|---|------------------------------|--------------------------|-------------------------------|----------------------------------|---|------------------------------|------------------------------|------------------|
| | <i>Less than 1 month</i> | <i>1 to 3 months</i> | <i>3 months to 1 year</i> | <i>Total of up to 1 year</i> | <i>More than 1 year and less than 5 years</i> | <i>More than 5 years</i> | <i>No fixed maturity</i> | <i>Total</i> |
| | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> |
| ASSETS | | | | | | | | |
| Cash and bank balances* | 53,187 | - | 1,611 | 54,798 | - | - | - | 54,798 |
| Insurance and other receivables (excluding prepayments) | 16,394 | 82,313 | 166,734 | 265,441 | 335,554 | - | - | 600,995 |
| Available-for-sale investments * | 3,629 | 9,595 | 19,084 | 32,308 | 52,348 | 89,986 | 63,258 | 237,900 |
| Reinsurers' share of technical reserves - reported claims | 9,950 | 19,900 | 114,808 | 144,658 | 166,707 | 8,436 | - | 319,800 |
| | 83,160 | 111,808 | 302,237 | 497,205 | 554,609 | 98,422 | 63,258 | 1,213,493 |
| LIABILITIES | | | | | | | | |
| Insurance and other payables | 9,180 | 18,146 | 184,503 | 211,829 | 10,328 | - | - | 222,157 |
| Reinsurance payables | 1,385 | 2,769 | 17,727 | 21,881 | - | - | - | 21,881 |
| Technical reserves - reported claims | 20,714 | 41,427 | 245,842 | 307,983 | 314,151 | 15,611 | - | 637,745 |
| | 31,278 | 62,342 | 448,073 | 541,693 | 324,479 | 15,611 | - | 881,783 |

* These exclude financial instruments pledged and are not available for liquidity purposes (note 7 and note 9).

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| | 2018 | | | | | | | |
|---|------------------------------|--------------------------|-------------------------------|----------------------------------|---|------------------------------|------------------------------|-----------------|
| | <i>Less than 1 month</i> | <i>1 to 3 months</i> | <i>3 months to 1 year</i> | <i>Total of up to 1 year</i> | <i>More than 1 year and less than 5 years</i> | <i>More than 5 years</i> | <i>No fixed maturity</i> | <i>Total</i> |
| | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> |
| ASSETS | | | | | | | | |
| Cash and bank balances* | 100,909 | 955 | 12,908 | 114,772 | - | - | - | 114,772 |
| Insurance and other receivables (excluding prepayments) | 93,649 | 164,546 | 286,844 | 545,039 | 186,281 | - | - | 731,320 |
| Available-for-sale investments * | 1,115 | 2,605 | 17,694 | 21,414 | 127,879 | 12,925 | 165,977 | 328,195 |
| Reinsurers' share of technical reserves - reported claims | 15,800 | 31,599 | 120,313 | 167,712 | 157,411 | 27,908 | - | 353,031 |
| | 211,473 | 199,705 | 437,759 | 848,937 | 471,571 | 40,833 | 165,977 | 1,527,318 |
| LIABILITIES | | | | | | | | |
| Insurance and other payables | 95,484 | 83,499 | 57,104 | 236,087 | - | - | - | 236,087 |
| Reinsurance payables | 3,107 | 9,320 | 24,853 | 37,280 | - | - | - | 37,280 |
| Technical reserves - reported claims | 30,259 | 60,517 | 230,417 | 321,193 | 301,464 | 53,446 | - | 676,103 |
| | 128,850 | 153,336 | 312,374 | 594,560 | 301,464 | 53,446 | - | 949,470 |

* These exclude financial instruments pledged and are not available for liquidity purposes (note 7 and note 9).

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(d) Liquidity risk - Company

The table below summarises the maturity profile of available financial assets and liabilities of the Company based on remaining undiscounted contractual obligations.

| | 2019 | | | | | | | |
|---|------------------------------|--------------------------|-------------------------------|----------------------------------|---|------------------------------|------------------------------|------------------|
| | <i>Less than 1 month</i> | <i>1 to 3 months</i> | <i>3 months to 1 year</i> | <i>Total of up to 1 year</i> | <i>More than 1 year and less than 5 years</i> | <i>More than 5 years</i> | <i>No fixed maturity</i> | <i>Total</i> |
| | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> |
| ASSETS | | | | | | | | |
| Cash and bank balances* | 35,297 | - | 1,611 | 36,908 | - | - | - | 36,908 |
| Insurance and other receivables (excluding prepayments) | 16,394 | 82,313 | 151,588 | 250,295 | 335,554 | - | - | 585,849 |
| Available-for-sale investments * | 3,629 | 4,095 | 13,584 | 21,308 | 52,348 | 89,986 | 90,044 | 253,686 |
| Reinsurers' share of technical reserves - reported claims | 9,950 | 19,900 | 101,415 | 131,265 | 166,707 | 8,436 | - | 306,407 |
| | 65,270 | 106,308 | 268,198 | 439,776 | 554,609 | 98,422 | 90,044 | 1,182,850 |
| LIABILITIES | | | | | | | | |
| Insurance and other payables | 9,180 | 18,146 | 157,651 | 184,977 | 10,328 | - | - | 195,305 |
| Reinsurance payables | 1,385 | 2,769 | 12,460 | 16,614 | - | - | - | 16,614 |
| Technical reserves - reported claims | 20,714 | 41,427 | 207,763 | 269,904 | 314,151 | 15,611 | - | 599,666 |
| | 31,278 | 62,342 | 377,875 | 471,495 | 324,479 | 15,611 | - | 811,585 |

* These exclude financial instruments pledged and are not available for liquidity purposes (note 7 and note 9).

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2018

| | <i>Less than 1 month</i> | <i>1 to 3 months</i> | <i>3 months to 1 year</i> | <i>Total of up to 1 year</i> | <i>More than 1 year and less than 5 years</i> | <i>More than 5 years</i> | <i>No fixed maturity</i> | <i>Total</i> |
|---|------------------------------|--------------------------|-------------------------------|----------------------------------|---|------------------------------|------------------------------|-----------------|
| | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> | <i>USD '000</i> |
| ASSETS | | | | | | | | |
| Cash and bank balances* | 52,254 | 398 | 5,378 | 58,030 | - | - | - | 58,030 |
| Insurance and other receivables (excluding prepayments) | 94,456 | 152,430 | 244,302 | 491,188 | 186,281 | - | - | 677,469 |
| Available-for-sale investments * | 876 | 2,046 | 13,898 | 16,820 | 100,443 | 17,163 | 127,679 | 262,105 |
| Reinsurers' share of technical reserves - reported claims | 14,345 | 28,689 | 109,233 | 152,267 | 142,914 | 25,337 | - | 320,518 |
| | 161,931 | 183,563 | 372,811 | 718,305 | 429,638 | 42,500 | 127,679 | 1,318,122 |
| LIABILITIES | | | | | | | | |
| Insurance and other payables | 78,834 | 68,938 | 47,146 | 194,918 | - | - | - | 194,918 |
| Reinsurance payables | 2,439 | 7,317 | 19,511 | 29,267 | - | - | - | 29,267 |
| Technical reserves - reported claims | 26,787 | 53,573 | 203,977 | 284,337 | 266,871 | 47,312 | - | 598,520 |
| | 108,060 | 129,828 | 270,634 | 508,522 | 266,871 | 47,312 | - | 822,705 |

* These exclude financial instruments pledged and are not available for liquidity purposes (note 7 and note 9).

(e) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk on receivables is limited to receivables from policyholders which are carried net of impairment losses, and to insurance companies. The Group and the Company manage credit risk with respect to receivables from policyholders by monitoring risks in accordance with defined policies and procedures.

Management seeks to minimise credit risk with respect to insurance and reinsurance companies by only ceding business to companies with good credit ratings.

The Group and the Company manage credit risk on their cash deposits and investments by ensuring that the counterparties have an appropriate credit rating. The Group and the Company do not have an internal credit rating of counterparties and use external credit rating agencies' websites to rate the companies.

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Credit risk - Group

The Group's maximum exposure to credit risk is highlighted in the below table

| | <i>A and above 2019 USD '000</i> | <i>Below A 2019 USD '000</i> | <i>Unrated 2019 USD '000</i> | <i>Total 2019 USD '000</i> |
|---|--|--------------------------------------|--------------------------------------|------------------------------------|
| Bank balances (note 7) | 53,699 | 15,599 | - | 69,298 |
| Insurance and other receivables | 30,065 | 16,597 | 554,333 | 600,995 |
| Available-for-sale investments (note 9) | 79,439 | 80,359 | - | 159,798 |
| Reinsurers' share of outstanding claims reserve - reported claims | 206,978 | 96,092 | 16,730 | 319,800 |
| | 370,181 | 208,647 | 571,063 | 1,149,891 |

| | <i>A and above 2018 USD '000</i> | <i>Below A 2018 USD '000</i> | <i>Unrated 2018 USD '000</i> | <i>Total 2018 USD '000</i> |
|---|--|--------------------------------------|--------------------------------------|------------------------------------|
| Bank balances (note 7) | 81,580 | 57,676 | - | 139,256 |
| Insurance and other receivables | 226,879 | 98,432 | 406,009 | 731,320 |
| Available-for-sale investments (note 9) | 82,144 | 67,461 | - | 149,605 |
| Reinsurers' share of outstanding claims reserve - reported claims | 233,029 | 104,245 | 15,757 | 353,031 |
| | 623,632 | 327,814 | 421,766 | 1,373,212 |

Credit risk - Company

The Company's maximum exposure to credit risk is highlighted in the below table

| | <i>A and above 2019 USD '000</i> | <i>Below A 2019 USD '000</i> | <i>Unrated 2019 USD '000</i> | <i>Total 2019 USD '000</i> |
|---|--|--------------------------------------|--------------------------------------|------------------------------------|
| Bank balances (note 7) | 34,567 | 15,599 | - | 50,166 |
| Insurance and other receivables | 30,065 | 16,597 | 539,187 | 585,849 |
| Available-for-sale investments (note 9) | 49,413 | 80,359 | - | 129,772 |
| Reinsurers' share of outstanding claims reserve - reported claims | 206,978 | 82,699 | 16,730 | 306,407 |
| | 321,023 | 195,254 | 555,917 | 1,072,194 |

| | <i>A and above 2018 USD '000</i> | <i>Below A 2018 USD '000</i> | <i>Unrated 2018 USD '000</i> | <i>Total 2018 USD '000</i> |
|---|--|--------------------------------------|--------------------------------------|------------------------------------|
| Bank balances (note 7) | 48,332 | 34,182 | - | 82,514 |
| Insurance and other receivables | 210,173 | 91,184 | 376,112 | 677,469 |
| Available-for-sale investments (note 9) | 65,023 | 53,401 | - | 118,424 |
| Reinsurers' share of outstanding claims reserve - reported claims | 211,568 | 94,644 | 14,306 | 320,518 |
| | 535,096 | 273,411 | 390,418 | 1,198,925 |

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(f) Regulatory risk

The Group is subject to continuing approval by the Central Bank of Bahrain, the United Kingdom Financial Conduct Authority, the Corporation of Lloyd's of London, the Labuan Financial Services Authority, and the Cyprus Insurance Companies Control Services. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to these regulators. For Trust Underwriting Limited, the capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the Group is able to support.

(g) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group and the Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group and the Company are able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Group's and Company's strategic planning and budgeting process.

(h) Fair values of financial instruments

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. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The fair value of the Group's and Company's financial instruments such as cash and bank balances, outstanding claims reserve - reported claims (both gross and reinsurers' share), insurance and other receivables, reinsurance payables and insurance and other payables are not materially different from their carrying values largely due to the short term maturities of these instruments as shown in the Group's consolidated and Company's separate statements of financial position.

(i) Capital management

Capital requirements are set and regulated by the Central Bank of Bahrain. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group and Company to maintain a strong credit rating and healthy capital ratios in order to support their business objectives and maximise shareholders' value.

The Group and the Company manage their capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Group's and Company's activities. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders or inject additional capital.

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The Group and the Company compute and monitor its solvency margin in accordance with the provisions as set out in the Capital Adequacy Module of the Central Bank of Bahrain Rulebook – Volume 3 Insurance. The capital of the Company determined in accordance with the Central Bank of Bahrain rulebook as on 31 December is as follows:

| | 2019 | 2018 |
|--|-----------------|---------------|
| | USD '000 | USD '000 |
| Required margin of solvency | | |
| Required margin of solvency for general business | 45,970 | 48,734 |
| Total required margin of solvency (A) | 45,970 | 48,734 |
| Capital available towards required solvency margin | | |
| Tier 1 Capital | 241,040 | 321,107 |
| Tier 2 Capital | 11,936 | 28,914 |
| Deductions from capital | (285,788) | (271,266) |
| Net capital available (B) | (32,812) | 78,754 |
| Excess / (deficiency) of capital available over required margin of solvency (B - A) | (78,782) | 30,020 |

34. IMPACT OF COVID-19

The existence of novel coronavirus Covid-19 (the 'pandemic') was confirmed in 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Group and the Company considers this outbreak to be a non-adjusting post balance sheet event.

General business impact of Covid-19

Since the business of the Group and the Company is geared towards large industrial and corporate clients and shy of commercial and personal lines portfolio, the Group and the Company do not expect a significant impact to the level of business due to the pandemic. Prices in the markets were already increasing (by approximately 2.5% to 5.0%) which will have a positive impact on the overall portfolio of the Group and the Company. In respect of retrocession, the Group and the Company has seen the minor increases in prices due to the good performance of prior years. Increases in prices for retrocession are seen mostly in the energy line of business and for catastrophic loss ('CAT') covers.

The Group and the Company have not incurred any significant claims owing to the pandemic, recording approximately USD 460 thousand of additional claims subsequent to the year end till the approval date of the Group's consolidated and Company's separate financial statements. The Group and the Company are not expected to be significantly impacted by the pandemic claims as the major impact of insurance claims in the market are for life, business interruption or event cancellation, whereby the Group and the Company do not have much exposure in any of the aforementioned lines of business.

Operationally, the Group and the Company maintained business continuity and service without interruption as it was prepared due to its overall risk management and contingency planning.

Thus the Company does not expect any major impacts of the pandemic on the short term business or profitability of the Company and the Company remains on target for its 2020 performance.



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