Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re

GROUP'S CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2018

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GENERAL INFORMATION

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Commercial registration : 11503

CYPRUS BRANCH

Building 359	P O Box	: 58024
5th Floor		
28th October Street	Telephone	: +357 (25) 582329
CY 3730 Limassol	Fax	: +357 (25) 591074
Cyprus	E-mail	: mail@trustrecyprus.com

LABUAN BRANCH

1-29-6 & 7	Telephone	: +603 2181 9300
Menara Bangkok Bank	Fax	: +603 2181 4851
Laman Sentral Barjaya	E-mail	: malaysia@trustre.com
No. 105, Jalan Ampang		
50450 Kuala Lampur		
Malaysia		

MOROCCO (LIAISON OFFICE)

105, Boulevard Abdelmoumen	P O Box	: 23210
20360 Casablanca	Telephone	: +212 522 221 081
Morocco	Fax	: +212 522 227 580

INDIA (LIAISON OFFICE)

#302, III Floor, Pride Elite	Telephone	: +91 80 4039 5500
#10, Museum Road	Fax	: +91 80 4039 5511
Bangalore 560 001		
India		

AUDITORS

PricewaterhouseCoopers ME Limited
47th Floor, Bahrain Financial Harbour, West Tower
PO Box 60771, Manama
Kingdom of Bahrain

BOARD OF DIRECTORS

Kamel Abunahl	-	Non-executive Chairman (till 17 April 2019)
Frixos Savvides	-	Deputy Chairman (Independent, non-executive) (till 17 April 2019)
Fadi AbuNahl	-	Member & Group Chief Executive Officer (till 25 May 2018)
Reyda Ferid Benbouzid	-	Member (independent, non-executive) (till 17 April 2019)
Bakary Kamara	-	Member (independent, non-executive)
Stavros Stavrou	-	Member (independent, non-executive)
Dr. Cherif Chentir	-	Member (independent, non-executive) (till 17 November 2018)
Dr. Kai-Uwe Schanz	-	Member (independent, non-executive) (till 01 October 2018)
Professor Christopher Parsons	-	Member (independent, non-executive)
Futooh Alzayani	-	Member (independent, non-executive)
Lakhdar Moussi	-	Member (independent, non-executive) (appointed 27 June 2019)
Philippos Mannaris	-	Member (independent, non-executive) (appointed 27 June 2019)

Board Committees under formation

GENERAL MANAGEMENT

Talal Al Zain		Group Chief Executive Officer (appointed 09 April 2019)
Kamal Tabaja	-	Group Chief Operating Officer
Mohsin Altaf	-	Group Chief Financial Officer (appointed 26 May 2019)
Marios Argyrou	-	Group Chief Risk Officer (appointed 03 June 2019)
Hasan Al Mudaifa	-	Head of Compliance & MLRO
Ashraf Ibrahim	-	Head of Legal
Fadi AbuNahl	-	Group Chief Executive Officer (till 25 May 2018)
Mark Buisseret	-	Group Chief Risk Officer (till 31 December 2018)
Constantinos Hadjigeorgiou	-	Group Corporate Services Officer (till 21 April 2019)

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 accompanying Group's consolidated and Company's separate financial statements present fairly, in all material respects, the Group's consolidated and Company's separate financial position of Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2018, and its Group's consolidated and Company's separate financial performance and its Group's consolidated and Company's separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

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

- the Group's consolidated and the Company's separate statements of financial position as at 31 December 2018;
- the Group's consolidated and the Company's separate statements of income for the year then ended;
- the Group's consolidated and the Company's separate statements of comprehensive income for the year then ended;
- the Group's consolidated and the Company's separate statements of cash flows for the year then ended;
- the Group's consolidated and the 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 a summary of significant accounting policies.

Basis for qualified opinion

1. Insurance and other receivables:

- We have not received adequate supporting evidence from management regarding the recoverability of certain long outstanding related party balances of the Group and the Company with a gross amount of USD 26.1 million against which management has a provision of USD 6.2 million as at 31 December 2018.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
TRUST INTERNATIONAL INSURANCE & REINSURANCE COMPANY B.S.C. (c) TRUST RE
(Continued)

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

Basis for qualified opinion (continued)

2. Investments:

- During the year ended 31 December 2018, certain shares, held by third parties as nominees on behalf of the Group and the Company, were part of a restructuring arrangement between the shareholders of the investee whereby USD 19.8 million of pledged investments were swapped with other unpledged shares. We have not received adequate supporting documentation relating to the restructuring agreement and therefore we have been unable to obtain sufficient appropriate audit evidence about the restructuring arrangements of these shares and consequently whether there are any aspects of the transactions undertaken that could require adjustments to or disclosures in the Group's consolidated and Company's separate financial statements.

  In addition, as at 31 December 2018, investments include an amount of USD 16.2 million representing shares held by third parties as nominees on behalf of the Group and Company for which we have not received confirmations. Accordingly, we were unable to obtain sufficient appropriate audit evidence regarding the existence of these investments.

As a result of the matters referred to above, we have been unable to determine whether any adjustments or additional disclosures are required to the Group's consolidated and/or the 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.

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 and the Company 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.

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

Other information

The directors are responsible for the other information. The other information comprises the 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, we were unable to obtain sufficient appropriate audit evidence regarding multiple matters related to 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 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 the Company's financial reporting process.

Report on the audit of the Group's consolidated and Company's separate financial statements (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 Bahrain Commercial Companies Law number (21) of 2001 ("BCCL") 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) we have obtained all the information that we considered necessary for the purpose of our audit;

(ii) the Company has maintained proper books of account and the Group's consolidated and Company's separate financial statements and the financial information included in the Directors' report is in agreement therewith;

(iii) nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the BCCL, the Central Bank of Bahrain Rulebook (Volume 3), Financial Institution Law of 2006 and CBB directives or of its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2018, except for the following:

- the Group's consolidated and Company's separate audited financial statements as at and for the year ended 31 December 2018 were not approved and issued to the CBB within three months from 31 December 2018;
- the Group's consolidated and Company's separate audited financial statements as at and for the year ended 31 December 2018 were not approved and issued to the Ministry of Industry, Commerce and Tourism within six months from 31 December 2018,
- the Company did not hold a general assembly meeting within six months from 31 December 2018;
- The Company has provided funding to related parties to finance their operating and investing activities in violation of its objectives as defined in its Articles of Association. Those transactions with related parties amounted to USD 359 million during the year ended 31 December 2018;
- the Company did not seek CBB's approval for transactions with related parties amounting to USD 356.7 million during the year ended 31 December 2018 which are in excess of 10% of its available capital;
- the Company holds certain investment properties amounting to USD 33.2 million as at 31 December 2018 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' remuneration amounting to USD 0.5 million in relation to the year ended 31 December 2018, where losses have been incurred, 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.

24 September 2019
Partner's Registration Number: 196
Manama, Kingdom of Bahrain

Financial Statements

GROUP'S CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	**2018 Group USD '000**	2017 Group USD '000
ASSETS			
Cash and bank balances	7	**139,276**	504,286
Insurance and other receivables	8	**732,765**	440,275
Investments	9	**333,700**	332,013
Investment in an associate	11	**5,470**	5,434
Gross deferred acquisition costs	12	**65,268**	72,402
Reinsurers' share of technical reserves	13.1	**532,310**	570,019
Investment properties	14	**38,179**	40,062
Property and equipment	15.1	**25,511**	28,701
Intangible assets	16	**270**	308
TOTAL ASSETS		**1,872,749**	1,993,500
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**250,000**	250,000
Statutory reserves	17	**34,228**	34,181
Retained earnings		**38,612**	83,821
Fair value reserves		**64,762**	84,725
Foreign currency translation reserves		**(687)**	(716)
Equity attributable to shareholders of the Parent		**386,915**	452,011
Non-controlling interests		**29,698**	29,218
Total equity		**416,613**	481,229
Liabilities			
Insurance and other payables	18	**236,087**	230,410
Reinsurance payables		**37,280**	33,674
Reinsurers' share of deferred acquisition costs	19	**36,518**	35,129
Technical reserves	13.1	**1,146,251**	1,213,058
Total liabilities		**1,456,136**	1,512,271
TOTAL EQUITY AND LIABILITIES		**1,872,749**	1,993,500

Director

Director

The attached notes 1 to 32 form part of the Group's consolidated and Company's separate financial statements.

COMPANY'S SEPARATE STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 Company USD '000	2017 Company USD '000
ASSETS			
Cash and bank balances	7	**82,534**	441,683
Insurance and other receivables	8	**678,914**	399,391
Investments	9	**264,221**	273,718
Investment in subsidiaries	10	**30,884**	32,926
Investment in an associate	11	**5,470**	5,434
Gross deferred acquisition costs	12	**54,361**	64,596
Reinsurers' share of technical reserves	13.2	**470,325**	520,624
Investment properties	14	**33,238**	35,120
Property and equipment	15.2	**24,531**	27,719
TOTAL ASSETS		**1,644,478**	1,801,211
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**250,000**	250,000
Statutory reserve	17	**34,109**	34,109
Retained earnings		**34,035**	82,872
Fair value reserves		**66,795**	85,306
Total equity		**384,939**	452,287
Liabilities			
Insurance and other payables	18	**194,918**	208,773
Reinsurance payables		**29,267**	30,534
Reinsurers' share of deferred acquisition costs	19	**32,395**	32,556
Technical reserves	13.2	**1,002,959**	1,077,061
Total liabilities		**1,259,539**	1,348,924
TOTAL EQUITY AND LIABILITIES		**1,644,478**	1,801,211

Director

Director

The attached notes 1 to 32 form part of the Group's consolidated and Company's separate financial statements

GROUP'S CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2018

	Note	2018 Group USD '000	2017 Group USD '000
Gross premiums written	13.1	**525,046**	556,848
Premiums ceded	13.1	**(232,481)**	(231,332)
	13.1	**292,565**	325,516
Unearned premium adjustments - net		**27,281**	(4,709)
Net premium earned	13.1	**319,846**	320,807
Incurred claims	13.1	**(385,009)**	(487,374)
Recoveries from reinsurers	13.1	**166,169**	281,184
Claims and related expenses	13.1	**(218,840)**	(206,190)
Amortisation of reinsurers' share of deferred acquisition costs	19	**51,230**	30,718
Policy acquisition costs	12	**(119,821)**	(104,748)
Other operating expenses		**(192)**	(269)
Operating expenses	21	**(33,324)**	(49,885)
		(102,107)	(124,184)
Underwriting loss		**(1,101)**	(9,567)
Investment income - net	22	**8,490**	11,787
(Loss) / gain from investment properties	23	**(1,846)**	1,766
General and administrative expenses	24	**(11,052)**	(11,357)
Finance income		**1,751**	3,787
Foreign exchange (loss) / gain		**(7,835)**	7,302
Other (expenses) / income	25	**(32,358)**	2,490
(Loss) / profit before tax		**(43,951)**	6,208
Income tax expense	26	**(387)**	(492)
(LOSS) / PROFIT FOR THE YEAR		**(44,338)**	5,716
Attributable to:			
Shareholders of the Parent		**(45,210)**	5,589
Non-controlling interests		**872**	127
		(44,338)	5,716

Director

Director

The attached notes 1 to 32 form part of the Group's consolidated and Company's separate financial statements.

COMPANY'S SEPARATE STATEMENT OF INCOME

Year ended 31 December 2018

	Note	2018 Company USD '000	2017 Company USD '000
Gross premiums written	13.2	**458,789**	533,397
Premiums ceded	13.2	**(190,355)**	(226,679)
	13.2	**268,434**	306,718
Unearned premium adjustments - net		**32,301**	(3,804)
Net earned premium	13.2	**300,735**	302,914
Incurred claims	13.2	**(366,444)**	(472,965)
Recoveries from reinsurers	13.2	**146,955**	263,974
Claims and related expenses	13.2	**(219,489)**	(208,991)
Amortisation of reinsurers' share of deferred acquisition costs	19	**54,582**	42,713
Policy acquisition costs	12	**(109,302)**	(105,973)
Other operating (expenses) / income		**(154)**	383
Operating expenses	21	**(27,567)**	(39,494)
		(82,441)	(102,371)
Underwriting loss		**(1,195)**	(8,448)
Investment income - net	22	**6,860**	9,925
(Loss) / gain from investment properties	23	**(1,846)**	1,766
General and administrative expenses	24	**(9,527)**	(9,220)
Finance income		**1,751**	4,307
Foreign exchange (loss) / gain		**(7,768)**	8,042
Other (expenses) / income	25	**(36,691)**	(162)
(Loss) / profit before tax		**(48,416)**	6,210
Income tax expense	26	**(468)**	(815)
(LOSS) / PROFIT FOR THE YEAR		**(48,884)**	5,395

Director

Director

The attached notes 1 to 32 form part of the Group's consolidated and Company's separate financial statements.

GROUP'S CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	***2018*** ***Group*** ***USD '000***	*2017* *Group* *USD '000*
(Loss) / profit for the year		**(44,338)**	5,716
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		**(23,036)**	2,177
Impairment transferred to the consolidated statement of income	22	**3,467**	4,036
Transfer to consolidated statement of income on disposal	22	**(1,437)**	(5,477)
		(21,006)	736
Currency translation adjustments:			
Currency translation adjustments arising during the year		**29**	(90)
		(20,977)	646
Items that will not be reclassified to the consolidated statement of income:			
Property and equipment:			
Fair value changes arising during the year		**699**	1,926
Total other comprehensive (loss) / income for the year		**(20,278)**	2,572
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(64,616)**	8,288
Attributable to:			
Shareholders of the Parent		**(65,096)**	8,839
Non-controlling interests		**480**	(551)
		(64,616)	8,288

The attached notes 1 to 32 form part of the Group's consolidated and Company's separate financial statements.

COMPANY'S SEPARATE STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	***2018 Company USD '000***	*2017 Company USD '000*
(Loss) / profit for the year		**(48,884)**	5,395
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		**(19,577)**	4,310
Impairment transferred to the separate statement of income	22	**1,878**	3,282
Transfer to the separate statement of income on disposal	22	**(1,464)**	(5,518)
		(19,163)	2,074
Items that will not be reclassified to the separate statement of income			
Property and equipment:			
Fair value changes arising during the year		**699**	1,890
Total other comprehensive (loss) / income for the year		**(18,464)**	3,964
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(67,348)**	9,359

The attached notes 1 to 32 form part of the Group's consolidated and Company's separate financial statements.

GROUP'S CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	***2018 Group USD '000***	*2017 Group USD '000*
OPERATING ACTIVITIES			
(Loss) / profit before tax		**(43,951)**	6,208
Adjustments for:			
Depreciation	15.1	**1,811**	1,851
Amortisation of intangible assets	16	**38**	53
Interest income	22	**(4,465)**	(5,129)
Employees' end of service benefits		**552**	735
Share of profit / (loss) from associate		**(271)**	263
Provision for bad debts - insurance and reinsurance receivables	8.1	**2,137**	9,567
Provision for bad debts - other receivables	8.1	**-**	8,326
Impairment loss on available-for-sale investment	22	**3,467**	4,036
Amortisation of premium on available-for-sale investments		**444**	521
Gain on disposal of available-for-sale investments	22	**(1,437)**	(5,477)
(Gain) / loss on revaluation of investment properties	23	**1,882**	(1,603)
Loss on revaluation of property and equipment	15.1	**2,227**	1,010
Operating (loss) / profit before changes in operating assets and liabilities		**(37,566)**	20,361
Changes in operating assets and liabilities:			
Unearned premium		**(49,768)**	24,530
Reinsurers' share of unearned premium		**21,722**	(19,550)
Deferred acquisition costs - net		**8,523**	(1,213)
Outstanding claims		**(17,039)**	264,259
Reinsurers' share of outstanding claims		**15,987**	(191,998)
Insurance and other receivables		**64,373**	56,028
Insurance and other payables		**5,973**	24,487
Reinsurance payables		**3,606**	14,853
		15,811	191,757
Tax paid		**368**	(302)
Employees' end of service benefits paid		**(1,007)**	(263)
Net cash generated from operating activities		**15,172**	191,192
INVESTING ACTIVITIES			
Purchase of investments		**(65,904)**	(85,006)
Proceeds from sale of investments		**15,627**	58,083
Purchase of non-controlling interest post business combination		**-**	(663)
Purchase of property and equipment	15.1	**(635)**	(1,584)
Purchase of investment property	14	**-**	(165)
Purchase of intangible assets		**-**	(25)
Proceeds from disposal of property and equipment		**-**	8
Bank deposits with maturity of more than three months		**376,464**	(25,328)
Interest income received		**4,465**	5,129
Net cash generated from / (used in)investing activities		**330,017**	(49,551)
FINANCING ACTIVITIES			
Dividend paid		**-**	(14,000)
Insurance and other receivables		**(359,000)**	(141,000)
Net cash used in financing activities		(359,000)	(155,000)
Foreign currency translation adjustments		**(824)**	(970)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(14,635)**	(14,329)
Cash and cash equivalents at beginning of the year		**101,170**	115,499
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	**86,535**	101,170
Non-cash transaction			
Transfer from bank balances to deposits with banks with maturity of more than 3 months	7.4	**-**	110,000

The attached notes 1 to 32 form part of the Group's consolidated and Company's separate financial statements.

COMPANY'S SEPARATE STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	***2018 Company USD '000***	*2017 Company USD '000*
OPERATING ACTIVITIES			
(Loss) / profit before tax		**(48,416)**	6,210
Adjustments for:			
Depreciation	15.2	**1,500**	1,717
Interest income	22	**(3,560)**	(2,999)
Employees' end of service benefits		**552**	710
Share of profit / (loss) from associate		**(271)**	263
Provision for bad debts - insurance and reinsurance receivables	8.1	**780**	9,567
Provision for bad debts - other receivables		**-**	7,985
Impairment loss on available-for-sale investment	22	**1,878**	3,282
Impairment loss on investment in subsidiaries	22	**2,042**	-
Amortisation of premium on available-for-sale investments		**444**	521
Gain on disposal of available-for-sale investments	22	**(1,464)**	(5,518)
Loss / (gain) on revaluation of investment properties	23	**1,882**	(1,603)
Loss on revaluation of property and equipment	15.2	**2,227**	1,046
Operating (loss) / profit before changes in operating assets and liabilities		**(42,406)**	21,181
Changes in operating assets and liabilities:			
Unearned premium		**(61,701)**	19,867
Reinsurers' share of unearned premium		**29,400**	(16,063)
Deferred acquisition costs - net		**10,074**	(1,484)
Outstanding claims		**(12,401)**	235,948
Reinsurers' share of outstanding claims		**20,899**	(180,165)
Insurance and other receivables		**78,445**	61,519
Insurance and other payables		**(13,400)**	34,168
Reinsurance payables		**(1,267)**	11,221
		7,643	186,192
Tax paid		**(468)**	190
Employees' end of service benefits paid		**(1,007)**	(238)
Net cash generated from operating activities		**6,168**	186,144
INVESTING ACTIVITIES			
Purchase of investments		**(44,448)**	(78,459)
Proceeds from sale of investments		**34,858**	58,083
Purchase of property and equipment	15.2	**(539)**	(1,225)
Purchase of investment properties	14	**-**	(165)
Investment in a subsidiary		**-**	(663)
Bank deposits with maturity of more than three months		**364,760**	6,215
Restricted bank balances		**(26,089)**	-
Interest income received		**3,812**	2,999
Net cash generated from / (used in) investing activities		**332,354**	(13,215)
FINANCING ACTIVITY			
Dividend paid		**-**	(14,000)
Insurance and other receivables		**(359,000)**	(141,000)
Net cash used in from financing activity		**(359,000)**	(155,000)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(20,478)**	17,929
Cash and cash equivalents at beginning of the year		**70,110**	52,181
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	**49,632**	70,110
Non-cash transaction			
Transfer from banks balances to deposits with banks with maturity of more than 3 months	7.4	**-**	110,000

The attached notes 1 to 32 form part of the Group's consolidated and Company's separate financial statements.

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re

GROUP'S CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to shareholders of the Parent								
	Share capital USD '000	*Statutory reserves USD '000*	*Retained earnings 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 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 (note 17)	-	47	(47)	-	-	-	-	-	-
Balance at 31 December 2018	**250,000**	**34,228**	**38,612**	**62,185**	**2,577**	**(687)**	**386,915**	**29,698**	**416,613**
Balance at 1 January 2017	250,000	33,578	92,835	81,385	-	(626)	457,172	30,079	487,251
Profit for the year	-	-	5,589	-	-	-	5,589	127	5,716
Other comprehensive income / (loss)	-	-	-	1,414	1,926	(90)	3,250	(678)	2,572
Total comprehensive income / (loss)	-	-	5,589	1,414	1,926	(90)	8,839	(551)	8,288
Dividend paid (note 17)	-	-	(14,000)	-	-	-	(14,000)	-	(14,000)
Purchase of shares of a subsidiary	-	-	-	-	-	-	-	(310)	(310)
Transfer to statutory reserve (note 17)	-	603	(603)	-	-	-	-	-	-
Balance at 31 December 2017	250,000	34,181	83,821	82,799	1,926	(716)	452,011	29,218	481,229

The attached notes 1 to 32 form part of the Group's consolidated and Company's separate financial statements.

COMPANY'S SEPARATE STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital USD '000	*Statutory reserves USD '000*	*Retained earnings USD '000*	*Investments fair value reserve USD '000*	*Property and equipment fair value reserve USD '000*	*Total USD '000*
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**
Balance at 1 January 2017	250,000	33,569	92,017	81,342	-	456,928
Profit for the year	-	-	5,395	-	-	5,395
Other comprehensive income	-	-	-	2,074	1,890	3,964
Total comprehensive income	-	-	5,395	2,074	1,890	9,359
Dividend paid during the year (note 17)	-	-	(14,000)	-	-	(14,000)
Transfer to statutory reserve (note 17)	-	540	(540)	-	-	-
Balance at 31 December 2017	250,000	34,109	82,872	83,416	1,890	452,287

The attached notes 1 to 32 form part of the Group's consolidated and Company's separate financial statements.

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 (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 assess the individual performance of the Company.

The Group's consolidated and Company's separate financial statements were authorised for issue by the Board of Directors on 24 September 2019.

2. BASIS OF PREPARATION

Going concern

The Group’s and Company's management have made an assessment of the Group’s 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.

As stated in note 7, bank deposits of the Company amounting to USD 355,000 thousand as at 31 December 2017 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 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 (note 8). The Parent’s revised plan to settle the receivable balance is as follow:

- Cash injection of USD 130,000 thousand (to be injected latest by 31 December 2019)
- Cash injection of USD 227,708 thousand (to be injected in three years starting 2020)

The above revised plan has been approved by the directors of the Parent and the Company. As a result, the management of the Company has discounted these cash flows to their present value and has recorded a provision amounting to USD 41,427 thousand in the Group’s consolidated and Company’s separate financial statements (note 8). The discount rate used by management is 9.5%. Subsequent to year end, the Parent settled an amount of USD 7,964 thousand as part of the settlement plan in relation to the amounts due from the Parent (note 8 and 29).

Moreover, the Company’s solvency as at 31 December 2018 represents an excess of capital available over required margin of solvency amounting to USD 30,020 thousand (Note 32).

Based on the above, management has assessed the Group and the Company’s ability to continue as a going concern and is satisfied that the Group and Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group and the Company’s ability to continue as a going concern. Therefore, the Group’s consolidated and Company’s separate financial statements continue to be prepared on the going

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.

2. BASIS OF PREPARATION (continued)

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.

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.

Comparative figures

In the Group's consolidated and Company's separate statement of cash flows, the movement in insurance and other receivables amounting to USD 141,000 thousand relating to the year ended 31 December 2017 was reclassified from cash flows from operating activities to cash flows from financing activities to conform with current year presentation. This reclassification had no impact on the Group's consolidated and Company's separate statements of financial position and Group's consolidated and Company's separate statement of income.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. 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.

3. BASIS OF CONSOLIDATION (continued)

The following are the subsidiaries of the Group:

Name of the subsidiary	*Country of incorporation*	*Effective ownership*		*Principal activity*
		2018	*2017*	
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
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%**	49.25%	Insurance
Afro Asian Assistance Oman L.L.C.*	Sultanate of Oman	**100.00%**	100.00%	Travel assistance

Voting rights for all subsidiaries are 100% except for Oman Re which is 57.14% (2017: 57.14%).

* Subsidiary of Afro Asian Assistance B.S.C. (c)

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 2018

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

- IFRS 15 Revenue from Contracts with Customers - IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer loyalty programmes.

4. ACCOUNTING STANDARDS AND PRONOUNCEMENTS (continued)

- Amendments to IFRS 4 Insurance Contracts - amendments to the standard permit entities issuing contracts within the scope of IFRS 4 a temporary exemption. the temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning 1 January 2022 at the latest. An entity may apply the temporary exemption from IFRS 9 if and only if:

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

  The Group and the Company have determined that its activities are predominantly connected with insurance for the year ended 31 December 2015 as insurance liabilities exceed 90% of total liabilities. The Group and Company have therefore applied the temporary exemption from IFRS 9 (note 33). The temporary exemption from IFRS 9 has been applied from 1 January 2018.

The amendments do not have a significant effect on the Group's consolidated and Company's separate financial statements. There are no other IFRSs or IFRIC interpretations that were effective for the financial year beginning 1 January 2018.

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 2018, 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 as stated above, 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 2022. In the interim, the Group and the Company will continue to apply IAS 39 to its financial assets and liabilities. Required disclosure on applying the temporary exemption from IFRS 9 are provided in note 33.

- 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 standard is effective for annual reporting periods beginning on or after 1 January 2019. The Group is not expecting any material impact from the adoption of this

- 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 2022, with comparative figures required for the prior period. The Group and the Company is assessing the impact of IFRS 17 on the Group's consolidated and Company's separate financial statements.

4. ACCOUNTING STANDARDS AND PRONOUNCEMENTS (continued)

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 for the first time for the Group's and Company's financial year beginning on 1 January 2018.

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 a insurance contract, it remains a 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.

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 recognises its 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

After application of the equity method, the Group and the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group and the Company determines whether there is objective evidence that an investment in an associate is impaired. If there is such evidence, the Group and the Company calculates 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 measures and recognises 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.

The Group has certain available-for-sale investments carried at cost as their fair value cannot be determined accurately.

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 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

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Following are the details of these assets:

Description of asset	Financial statement classification	***2018*** ***USD '000***	*2017* *USD '000*
Shares of Qatar General Insurance and Reinsurance Company SAQ (note 9.2)	Available-for sale investments	**34,671**	37,854
Shares of Oman Reinsurance Company (S.A.O.C.) (note 10)	Investment in subsidiaries	**11,335**	11,335
Shares of Afro Asian Assistance BSC (c) (note 10)	Investment in subsidiaries	**97**	301
Shares of Trust Insurance Management WLL (note 10)	Investment in subsidiaries	**27**	27
Shares of Jordan Expatriates Investment Holding (note 11)	Investment in associate	**933**	927

30% of the Group's investment in Afro Asian Assistance LLC is also held under a nominee arrangement amounting to USD 117 thousand (2017: 30% amounting to USD 117 thousand).

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)

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, its 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 2018.

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.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Going concern

The directors have made an assessment of the Group and 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. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the 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.

The Group holds less than 50% ownership in Oman Re. However, the Group controls it through majority representation on the Board of Directors and therefore consolidates its financial information.

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

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Cash on hand	**20**	**20**	50	40
Bank balances (note 7.2)	**86,515**	**49,612**	101,120	70,070
Cash and cash equivalents	**86,535**	**49,632**	101,170	70,110
Statutory deposit (note 7.1)	**398**	**398**	398	398
Restricted bank balances (note 7.2)	**26,089**	**26,089**	-	-
Deposits with banks with maturity of more than 3 months (notes 7.2 and 7.3)	**26,254**	**6,415**	402,718	371,175
	139,276	**82,534**	504,286	441,683

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 23,467 thousand (2017: USD 15,085 thousand) and deposits amounting to USD 1,037 thousand (2017: USD 14,719 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.

7. CASH AND BANK BALANCES (continued)

In addition as at 31 December 2017, the Group and the Company held deposits amounting to USD 5,098 thousand which were blocked due to incomplete opening forms. During 2018, the block has been released.

7.3 As at 31 December 2017, this includes USD 355,000 thousand of deposits that have been confirmed by the bank as pledged for a facility granted to the Parent. These were therefore not available for day to day use in the Group's and the Company's operations. During 2018, the deposits have been set off against the bank facility amount.

The Company is assessing the legality of the pledging process followed by the bank and is considering the engagement of a legal firm in Qatar to investigate the matter further.

These amounts have been recorded as a receivable from the Parent, which intends to replace this receivable with assets of equivalent value (see notes 2 and 8).

7.4 During 2017, deposits amounting to USD 110,000 thousand were transferred from bank balances to deposits with banks with maturity of more than 3 months.

8. INSURANCE AND OTHER RECEIVABLES	***2018 Group USD '000***	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Insurance receivables	**135,791**	**103,329**	98,280	75,785
Reinsurance receivables	**15,840**	**15,840**	17,695	17,695
Less: Provision for doubtful debts (note 8.1)	**(22,596)**	**(18,651)**	(20,459)	(17,871)
	129,035	**100,518**	95,516	75,609
Inward pipeline premium accruals	**203,459**	**180,996**	259,384	244,288
Inward treaty premium reserve and loss deposit	**46,183**	**42,610**	43,312	39,871
Due from related parties (note 29) *	**344,712**	**344,965**	32,122	31,913
Other debtors and prepayments	**8,547**	**9,376**	9,792	7,280
Current tax asset	**829**	**449**	149	430
	732,765	**678,914**	440,275	399,391

* This amount includes USD 316,281 thousand (2017: USD 851 thousand) relating to receivables from Nest Investments (Holdings) Ltd, the Parent. This amount is net of the effect of discounting the receivable amounting to USD 41,427 thousand (2017: USD Nil). The Parent has a plan to settle these amounts by 2022. This was recorded as a receivable from the Parent in the Group's consolidated and the Company's separate statement of financial position as a result of the liquidation of pledged deposits against bank facilities withdrawn by the Parent (refer to notes 2, 7.3, 29 and 32).

Due from related parties is net of provision amounting to USD 8,326 thousand (2017: USD 8,326 thousand) for the Group and the Company.

At 31 December 2018, the gross amount of impaired insurance and reinsurance receivables amounted to USD 28,762 thousand for the Group (2017: USD 20,704 thousand) and USD 22,921 thousand for the Company (2017: USD 18,116 thousand) for which a provision of USD 22,596 thousand (2017: USD 20,459 thousand) and USD 18,651 thousand (2017: USD 17,871 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. INSURANCE AND OTHER RECEIVABLES (continued)

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

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
At 1 January	**20,459**	**17,871**	10,892	9,462
Charge for the year (note 21, note 24)	**2,137**	**780**	9,567	8,409
At 31 December	**22,596**	**18,651**	20,459	17,871

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*
2018	**122,869**	**47,670**	**50,001**	**15,879**	**9,318**	**-**
2017	95,271	27,393	26,437	27,950	13,491	-

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*
2018	**96,248**	**38,082**	**43,095**	**7,188**	**7,883**	**-**
2017	75,364	21,978	20,631	20,710	12,045	-

9. INVESTMENTS

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Available-for-sale (Note 9.1)	**333,700**	**264,221**	332,013	273,718

9.1 AVAILABLE-FOR-SALE INVESTMENTS

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Quoted				
Equities	**181,080**	**142,782**	174,812	157,295
Debt securities	**149,605**	**118,424**	154,186	113,408
Unquoted				
Equities	**3,015**	**3,015**	3,015	3,015
	333,700	**264,221**	332,013	273,718

As at 31 December 2018, available-for-sale investments amounting to USD 34,671 thousand (2017: USD 37,854 thousand) of the Group and the Company are held by third parties under nominee arrangements (note

9. INVESTMENTS (continued)

Available-for-sale investments amounting to USD 1,944 thousand (2017: USD 21,934 thousand) of the Group and the Company are pledged against a facility granted to the Parent.

During 2017, certain shares amounting to USD 20,449 thousand held by nominees of the Company have been part of a restructuring agreement between the shareholders.

In addition, during 2018, as a result of a restructuring of the shareholding of an investee, certain pledged investments as at 31 December 2017 amounting to USD 19,777 thousand were swapped with other unpledged shares held by nominees on behalf of the Company.

At the reporting date, investments of the Group and the Company amounting to USD 16,174 thousand (2017: USD 5,886 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 25,938 thousand (2017: USD 26,500 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 20,331 thousand (2017: USD 22,198 thousand) were pledged against a facility granted to the Parent.

10. INVESTMENT IN SUBSIDIARIES

	2018	*2017*
	USD '000	*USD '000*
Trust Underwriting Limited	655	655
Afro Asian Assistance B.S.C. (c)	968	3,010
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")	28,959	28,959
	30,884	32,926

During 2017, the Group acquired 250,000 shares in Oman Re.

The Group also has a 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 2,040 thousand (2017: USD Nil) against its investment in Afro Asian Assistance B.S.C. (c).

Investment in subsidiaries amounting to USD 11,576 thousand (2017: USD 11,780 thousand) of the Company are held by third parties as nominees of the Company (note 5).

11. INVESTMENT IN AN ASSOCIATE

The Group owns 19.85% stake in Jordan Expatriates Investments Holding (the "Associate"). The Company is engaged in investment holdings and brokerage. The Company is incorporated in Jordan and its shares are traded on the Amman stock exchange. Although the Group and the Company holds less than 20% of the equity shares of the associate, the Group and the Company exercises significant influence by virtue of its representation in the board of directors of the associate and has the power to participate in the financial and operating policy decisions.

11. INVESTMENT IN AN ASSOCIATE (continued)

The summarised financial statements as at 31 December 2018 and 31 December 2017 of the Associate are listed below:

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Current assets	**25,037**	**25,037**	26,658	26,658
Non-current assets	**4,026**	**4,026**	4,026	4,026
Current liabilities	**(804)**	**(804)**	(1,536)	(1,536)
	28,259	**28,259**	29,148	29,148
Non-controlling interest	**(702)**	**(702)**	(1,773)	(1,773)
	27,557	**27,557**	27,375	27,375
Proportion of ownership	**19.85%**	**19.85%**	19.85%	19.85%
Carrying amount of the investment in an associate	**5,470**	**5,470**	5,434	5,434

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Revenue	**1,239**	**1,239**	422	422
Profit / (loss) before tax	**1,470**	**1,470**	(1,270)	(1,270)
Tax	**(103)**	**(103)**	(55)	(55)
Profit / (loss) for the year	**1,367**	**1,367**	(1,325)	(1,325)
Other comprehensive income	**-**	**-**	-	-
Total comprehensive income / (loss)	**1,367**	**1,367**	(1,325)	(1,325)

Investment in associate amounting to USD 933 thousand (2017: USD 927 thousand) of the Group and the Company are held by third parties as nominees of the Group (note 5).

12. GROSS DEFERRED ACQUISITION COSTS

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD' 000*	*2017 Company USD' 000*
At 1 January	**72,402**	**64,596**	69,378	62,606
Acquisition costs	**112,452**	**99,067**	107,444	107,963
Amortisation for the year	**(119,821)**	**(109,302)**	(104,748)	(105,973)
Exchange difference	**235**	**-**	328	-
At 31 December	**65,268**	**54,361**	72,402	64,596

13. TECHNICAL RESERVES

13.1 *Group*

	2018			*2017*		
	Gross	***Reinsurers' share***	***Net***	*Gross*	*Reinsurers' share*	*Net*
	USD '000	***USD '000***	***USD '000***	*USD '000*	*USD '000*	*USD '000*
Unearned premium reserve	**289,210**	**(129,547)**	**159,663**	338,978	(151,269)	187,709
Outstanding claims reserve	**857,041**	**(402,763)**	**454,278**	874,080	(418,750)	455,330
	1,146,251	**(532,310)**	**613,941**	1,213,058	(570,019)	643,039

Unearned premium reserve	***2018***			*2017*		
	Gross	***Reinsurers' share***	***Net***	*Gross*	*Reinsurers' share*	*Net*
	USD '000	***USD '000***	***USD '000***	*USD '000*	*USD '000*	*USD '000*
At 1 January	**338,978**	**(151,269)**	**187,709**	314,448	(131,719)	182,729
Premiums written (ceded)	**525,046**	**(232,481)**	**292,565**	556,848	(231,332)	325,516
Premiums (earned) amortised	**(573,948)**	**254,102**	**(319,846)**	(532,908)	212,101	(320,807)
Exchange difference	**(866)**	**101**	**(765)**	590	(319)	271
At 31 December	**289,210**	**(129,547)**	**159,663**	338,978	(151,269)	187,709

Outstanding claims reserve	***2018***			*2017*		
	Gross	***Reinsurers' share***	***Net***	*Gross*	*Reinsurers' share*	*Net*
	USD '000	***USD '000***	***USD '000***	*USD '000*	*USD '000*	*USD '000*
At 1 January						
Reported claims	**697,855**	**(368,086)**	**329,769**	468,423	(189,042)	279,381
Incurred But Not Reported claims	**176,225**	**(50,664)**	**125,561**	141,398	(37,710)	103,688
	874,080	**(418,750)**	**455,330**	609,821	(226,752)	383,069
Incurred during the year	**385,009**	**(166,169)**	**218,840**	487,374	(281,184)	206,190
(Paid) recovered during the year	**(398,386)**	**180,532**	**(217,854)**	(227,709)	89,800	(137,909)
Exchange difference	**(3,662)**	**1,624**	**(2,038)**	4,594	(614)	3,980
At 31 December	**857,041**	**(402,763)**	**454,278**	874,080	(418,750)	455,330
At 31 December						
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

13. TECHNICAL RESERVES (continued)

13.2 *Company*

	2018			*2017*		
	Gross	***Reinsurers' share***	***Net***	*Gross*	*Reinsurers' share*	*Net*
	USD '000	***USD '000***	***USD '000***	*USD '000*	*USD '000*	*USD '000*
Unearned premium reserve	**245,654**	**(111,838)**	**133,816**	307,355	(141,238)	166,117
Outstanding claims reserve	**757,305**	**(358,487)**	**398,818**	769,706	(379,386)	390,320
	1,002,959	**(470,325)**	**532,634**	1,077,061	(520,624)	556,437

Unearned premium reserve	***2018***			*2017*		
	Gross	***Reinsurers' share***	***Net***	*Gross*	*Reinsurers' share*	*Net*
	USD '000	***USD '000***	***USD '000***	*USD '000*	*USD '000*	*USD '000*
At 1 January	**307,355**	**(141,238)**	**166,117**	287,488	(125,175)	162,313
Premiums written (ceded)	**458,789**	**(190,355)**	**268,434**	533,397	(226,679)	306,718
Premiums (earned) amortised	**(520,490)**	**219,755**	**(300,735)**	(513,530)	210,616	(302,914)
At 31 December	**245,654**	**(111,838)**	**133,816**	307,355	(141,238)	166,117

Outstanding claims reserve	***2018***			*2017*		
	Gross	***Reinsurers' share***	***Net***	*Gross*	*Reinsurers' share*	*Net*
	USD '000	***USD '000***	***USD '000***	*USD '000*	*USD '000*	*USD '000*
At 1 January						
Reported claims	**611,032**	**(336,351)**	**274,681**	410,094	(168,735)	241,359
Incurred But Not Reported claims	**158,674**	**(43,035)**	**115,639**	123,664	(30,486)	93,178
	769,706	**(379,386)**	**390,320**	533,758	(199,221)	334,537
Incurred during the year	**366,444**	**(146,955)**	**219,489**	472,965	(263,974)	208,991
(Paid) recovered during the year	**(378,845)**	**167,854**	**(210,991)**	(237,017)	83,809	(153,208)
At 31 December	**757,305**	**(358,487)**	**398,818**	769,706	(379,386)	390,320
At 31 December						
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

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 2018 and 2017 were also peer reviewed by an international firm of actuaries.

13. TECHNICAL RESERVES (continued)

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	***2009***	***2010***	***2011***	***2012***	***2013***	***2014***	***2015***	***2016***	***2017***	***2018***	***Total***
	USD '000	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***
At end of underwriting year	1,400	4,081	4,080	3,558	5,326	4,778	7,981	3,231	4,852	5,211	
One year later	73,877	90,680	94,010	88,656	111,225	121,631	134,141	276,033	183,395		
Two years later	151,310	218,654	188,492	181,970	195,113	209,832	227,856	428,739			
Three years later	163,563	244,926	223,092	210,170	205,828	247,601	271,027				
Four years later	163,959	246,253	224,342	223,254	218,175	259,838					
Five years later	159,806	250,530	223,250	225,330	222,579						
Six years later	161,283	251,164	226,062	223,513							
Seven years later	160,858	250,494	222,224								
Eight years later	161,130	247,630									
Nine years later	158,898										
Current estimate of cumulative claims incurred	158,898	247,630	222,224	223,513	222,579	259,838	271,027	428,739	183,395	5,211	**2,223,054**
Cumulative payments to date	(151,563)	(235,718)	(187,772)	(199,984)	(194,250)	(197,042)	(177,121)	(237,151)	(36,017)	2,331	**(1,614,287)**
Incurred But Not Reported	-	35	124	577	1,280	3,832	10,694	43,127	87,310	33,959	**180,938**
	7,335	11,947	34,576	24,106	29,609	66,628	104,600	234,715	234,688	41,501	**789,705**
Liability in respect of years prior to 2008											**28,752**
											818,457
Trust Underwriting Ltd											**38,584**
Total liability included in the consolidated statement of financial position											**857,041**

13. TECHNICAL RESERVES (continued)

Net	***2009***	***2010***	***2011***	***2012***	***2013***	***2014***	***2015***	***2016***	***2017***	***2018***	***Total***
	USD '000	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***
At end of underwriting year	484	2,067	2,225	2,126	5,751	4,422	(8,822)	3,799	2,459	3,110	
One year later	35,089	59,296	31,505	60,101	85,258	92,586	79,960	80,621	87,718		
Two years later	79,171	129,957	99,491	129,829	147,878	152,993	145,846	179,720			
Three years later	84,650	149,310	124,552	152,639	155,000	176,296	170,659				
Four years later	82,129	151,069	124,477	158,757	160,587	182,737					
Five years later	78,123	154,197	124,380	159,516	162,088						
Six years later	79,505	155,221	126,365	158,950							
Seven years later	79,380	154,714	124,162								
Eight years later	79,330	153,357									
Nine years later	77,743										
Current estimate of cumulative claims incurred	77,743	153,357	124,162	158,950	162,088	182,737	170,659	179,720	87,718	3,110	**1,300,244**
Cumulative payments to date	(73,494)	(146,389)	(110,219)	(143,151)	(143,504)	(141,175)	(113,904)	(119,376)	(22,670)	1,094	**(1,012,787)**
Incurred But Not Reported	-	26	99	441	989	3,180	7,998	33,154	63,481	21,837	**131,206**
	4,249	6,994	14,042	16,240	19,573	44,742	64,754	93,498	128,530	26,041	**418,663**
Liability in respect of years prior to 2008											**6,685**
											425,348
Trust Underwriting Ltd											**28,930**
Total net liability included in the consolidated statement of financial position											**454,278**

13. TECHNICAL RESERVES (continued)

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	***2009***	***2010***	***2011***	***2012***	***2013***	***2014***	***2015***	***2016***	***2017***	***2018***	***Total***
	USD '000	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***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	
One year later	73,498	85,848	81,441	83,383	108,426	119,068	130,138	270,468	177,431		
Two years later	150,409	212,336	172,059	174,260	191,642	206,776	223,515	419,991			
Three years later	162,571	238,037	205,175	203,482	202,819	244,540	266,278				
Four years later	162,889	239,341	206,363	215,978	215,025	256,718					
Five years later	158,656	243,957	206,153	218,337	219,379						
Six years later	160,133	244,634	209,076	216,724							
Seven years later	159,705	243,811	204,842								
Eight years later	159,999	241,059									
Nine years later	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)**
Incurred But Not Reported	-	35	124	577	1,231	3,588	9,940	41,143	80,199	21,948	**158,785**
	7,249	10,127	22,737	23,367	29,092	65,780	103,115	229,217	224,698	25,919	**741,301**
Liability in respect of years prior to 2008											**16,004**
Total liability included in the Company's separate statement of financial position											**757,305**

13. TECHNICAL RESERVES (continued)

Net	***2009***	***2010***	***2011***	***2012***	***2013***	***2014***	***2015***	***2016***	***2017***	***2018***	***Total***
	USD '000	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***	***USD '000***
At end of underwriting year	484	2,067	1,005	656	2,611	2,442	(10,873)	1,660	594	1,069	
One year later	35,089	58,677	25,596	54,462	79,012	88,501	76,390	75,154	79,208		
Two years later	79,171	128,488	91,765	121,824	138,745	148,121	141,568	173,285			
Three years later	84,650	147,691	116,129	143,066	146,282	171,598	166,165				
Four years later	82,129	149,324	116,025	149,228	151,399	178,099					
Five years later	78,123	152,322	116,301	149,715	152,742						
Six years later	79,505	153,361	118,244	149,605							
Seven years later	79,380	152,606	115,913								
Eight years later	79,330	151,293									
Nine years later	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	16,886	**120,816**
	4,249	6,851	13,098	15,491	17,956	43,361	63,064	90,576	120,606	19,233	**394,485**
Liability in respect of years prior to 2008											**4,333**
Total net liability included in the Company's separate statement of financial position											**398,818**

14. INVESTMENT PROPERTIES

Group

	2018		
	USD '000 Land	***USD '000 Building***	***USD '000 Total***
Balance at 1 January	**13,529**	**26,533**	**40,062**
Revaluation loss during the year (note 23)	**(159)**	**(1,723)**	**(1,882)**
Exchange difference	**-**	**(1)**	**(1)**
Balance at 31 December	**13,370**	**24,809**	**38,179**

	2017		
	USD '000 Land	*USD '000 Building*	*USD '000 Total*
Balance at 1 January	10,901	27,404	38,305
Purchased during the year	-	165	165
Revaluation gain / (loss) during the year (note 23)	2,628	(1,025)	1,603
Exchange difference	-	(11)	(11)
Balance at 31 December	13,529	26,533	40,062

Company

	2018		
	USD '000 Land	***USD '000 Building***	***USD '000 Total***
Balance at 1 January	**13,529**	**21,591**	**35,120**
Revaluation loss during the year (note 23)	**(159)**	**(1,723)**	**(1,882)**
Balance at 31 December	**13,370**	**19,868**	**33,238**

	2017		
	USD '000 Land	*USD '000 Building*	*USD '000 Total*
Balance at 1 January	10,901	22,451	33,352
Purchased during the year	-	165	165
Revaluation gain / (loss) during the year (note 23)	2,628	(1,025)	1,603
Balance at 31 December	13,529	21,591	35,120

14. INVESTMENT PROPERTIES (continued)

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 2018 and 2017 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 comprabe 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 28.

15. PROPERTY AND EQUIPMENT

15.1 Group

	Land and building USD '000	*Motor vehicles USD '000*	*Computer hardware and software USD '000*	*Furniture, fitting and fixtures USD '000*	*Total USD '000*
Fair value / Cost					
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**
Depreciation					
At 1 January 2018	925	380	3,122	4,214	8,641
Charge for the year (note 21, note 24)	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**
Net book value					
At 31 December 2018	**23,496**	**176**	**670**	**1,169**	**25,511**

15. PROPERTY AND EQUIPMENT (continued)

	Land and building USD '000	*Motor vehicles USD '000*	*Computer hardware and software USD '000*	*Furniture and fixtures USD '000*	*Total USD '000*
Fair value / Cost					
At 1 January 2017	27,911	640	3,644	4,699	36,894
Additions	165	117	505	797	1,584
Disposals	-	(143)	(7)	(6)	(156)
Revaluation loss	(1,010)	-	-	-	(1,010)
Exchange differences	39	4	-	(13)	30
At 31 December 2017	27,105	618	4,142	5,477	37,342
At 1 January 2017	68	447	2,741	3,699	6,955
Charge for the year (note 21, note 24)	854	74	381	542	1,851
Disposals	-	(142)	-	(6)	(148)
Exchange differences	3	1	-	(21)	(17)
At 31 December 2017	925	380	3,122	4,214	8,641
Net book value					
At 31 December 2017	26,180	238	1,020	1,263	28,701

15.2 Company

	Land and building USD '000	***Motor vehicles USD '000***	***Computer hardware and software USD '000***	***Furniture and fixtures USD '000***	***Total USD '000***
Fair value / Cost					
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**
Depreciation					
At 1 January 2018	887	373	2,368	3,748	7,376
Charge for the year (note 21, note 24)	670	62	321	447	1,500
At 31 December 2018	**1,557**	**435**	**2,689**	**4,195**	**8,876**
Net book value					
At 31 December 2018	**22,751**	**132**	**567**	**1,081**	**24,531**

15. PROPERTY AND EQUIPMENT (continued)

	Land and building USD '000	*Motor vehicles USD '000*	*Computer hardware and software USD '000*	*Furniture and fixtures USD '000*	*Total USD '000*
Fair value / Cost					
At 1 January 2017	27,416	535	2,792	4,259	35,002
Additions	165	118	323	619	1,225
Write-offs	-	(86)	-	-	(86)
Revaluation loss	(1,046)	-	-	-	(1,046)
At 31 December 2017	26,535	567	3,115	4,878	35,095
Depreciation					
At 1 January 2017	33	385	1,987	3,340	5,745
Charge for the year (note 21, note 24)	854	74	381	408	1,717
Write-off	-	(86)	-	-	(86)
At 31 December 2017	887	373	2,368	3,748	7,376
Net book value					
At 31 December 2017	25,648	194	747	1,130	27,719

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 2018 and 2017 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.

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 28.

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

16. INTANGIBLE ASSETS

Group	***License***	***Underwriting capacity***	***Total***
	USD '000	***USD '000***	***USD '000***
Cost			
At 1 January 2017	380	1,836	2,216
Additions	12	13	25
Exchange difference	-	181	181
At 31 December 2017	392	2,030	2,422
At 31 December 2018	**392**	**2,030**	**2,422**
Amortisation			
At 1 January 2017	353	1,554	1,907
Charge for the year (note 21, note 24)	23	30	53
Exchange difference	1	153	154
At 31 December 2017	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**
Carrying value			
At 31 December 2018	**9**	**261**	**270**
Carrying value			
At 31 December 2017	15	293	308

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.

17. EQUITY AND RESERVES

Share capital	***2018***	*2017*
	USD '000	*USD '000*
Authorised:		
5,000,000 shares of USD 100 each (2017: 5,000,000 shares of USD100 each)	**500,000**	500,000
Issued and fully paid up:		
2,500,000 shares of USD 100 each (2017: 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 and following the approval of the CBB.

Statutory reserve - Group

In addition to above mentioned requirement for the Group's subsidiaries in Bahrain, for Oman Re, the Commercial Companies of Oman requires that 10% of a company's profit be transferred to a non-distributable statutory reserve until the amount of legal reserve equals one-third of the company's issued share capital.

Further, for Oman Re, in accordance with local requirements, 10% of the net outstanding claims at the reporting date is transferred to the statutory reserve which is not distributable without prior approval of the Capital Market Authority in Oman. Oman Re may discontinue such annual transfers when the reserve equals Oman Re's paid up capital.

17. EQUITY AND RESERVES (continued)

Proposed dividend

The Board of Directors does not recommend any cash dividend for the year ended 31 December 2018 (2017: Nil).

During 2017, the Company has paid a dividend of USD 14,000 thousand.

Non-controlling interest (NCI)

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

	Oman Re	
	2018	*2017*
	USD '000	*USD '000*
Summarised statement of financial position		
Total assets	**176,003**	138,446
Total liabilities	**117,939**	81,326
Net assets	**58,064**	57,120
Summarised statement of comprehensive income		
Gross written premium	**58,182**	32,196
Profit for the year	**1,717**	250
Other comprehensive loss	**(772)**	(1,336)
Total comprehensive income / (loss)	**944**	(1,086)
Profit allocated to NCI	**872**	127
Summarised cash flows		
Cash flows generated from / (used in) operating activities	**6,817**	(1,017)
Cash flows (used in) / generated from investing activities	**(4,247)**	5,234
Net increase in cash and cash equivalents	**2,570**	4,217

18. INSURANCE AND OTHER PAYABLES

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Insurance payables	**65,458**	**38,293**	47,541	21,982
Outward pipeline premium provision	**92,446**	**80,116**	124,091	116,696
Outward treaty premium reserves loss deposit	**47,101**	**40,633**	41,931	40,066
Due to related parties (note 29)	**2,001**	**12,794**	1,625	8,660
Other accounts payable and accruals	**24,031**	**18,032**	10,894	17,164
Deposits from cedants recognised under deposit accounting method	**4,404**	**4,404**	4,151	4,151
Fair value of currency forward exchange contract (note 31)	**646**	**646**	54	54
Deferred tax liability (note 20)	**-**	**-**	123	-
	236,087	**194,918**	230,410	208,773

19. REINSURERS' SHARE OF DEFERRED ACQUISITION COSTS

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
At 1 January	**35,129**	**32,556**	33,318	32,050
Acquisition costs - reinsurer	**52,619**	**54,421**	32,529	43,219
Amortisation for the year - reinsurer	**(51,230)**	**(54,582)**	(30,718)	(42,713)
At 31 December	**36,518**	**32,395**	35,129	32,556

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 2017	(16)	(251)	(267)
Movement during the year (note 26)	139	251	390
At 31 December 2017 (note 18)	123	-	123
Movement during the year (note 26)	(123)	-	(123)
At 31 December 2018 (note 18)	**-**	**-**	**-**

21. OPERATING EXPENSES

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Staff costs	**21,190**	**17,682**	20,080	17,838
Occupancy costs	**937**	**782**	1,109	954
Marketing and business travel	**1,923**	**1,605**	2,801	1,988
Professional expenses	**2,626**	**2,191**	1,204	1,204
Corporate costs	**1,927**	**1,608**	2,402	2,402
Depreciation and amortisation (note15, note 16)	**1,399**	**1,112**	1,432	1,392
Information technology costs	**883**	**737**	818	818
Financial and other charges *	**1,626**	**1,128**	17,620	12,104
Others	**813**	**722**	2,419	794
	33,324	**27,567**	49,885	39,494

* This includes an amount of USD 1,581 thousand (2017: USD 7,399 thousand) against impairment of insurance and reinsurance receivables for the Group and an amount of USD 578 thousand (2017: USD 6,817 thousand) against impairment of insurance and reinsurance receivables for the Company.

22. INVESTMENT INCOME - NET

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Dividend income	**6,055**	**5,756**	5,217	4,690
Gain on sale of available-for-sale investments	**1,437**	**1,464**	5,477	5,518
Interest income on debt securities	**4,465**	**3,560**	5,129	2,999
Impairment loss on available-for-sale investments	**(3,467)**	**(1,878)**	(4,036)	(3,282)
Impairment loss on investment in subsidiaries	**-**	**(2,042)**	-	-
	8,490	**6,860**	11,787	9,925

23. (LOSS) / GAIN FROM INVESTMENT PROPERTIES

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Rental income	**36**	**36**	163	163
Revaluation of investment properties (note 14)	**(1,882)**	**(1,882)**	1,603	1,603
	(1,846)	**(1,846)**	1,766	1,766

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Staff costs	**6,664**	**6,176**	4,942	4,165
Occupancy costs	**317**	**273**	559	223
Marketing and business travel	**651**	**561**	690	464
Professional expenses	**888**	**765**	281	281
Corporate costs	**651**	**561**	561	561
Depreciation and amortisation (note15, note 16)	**450**	**388**	472	325
Information technology costs	**299**	**258**	351	191
Financial and other charges *	**840**	**293**	3,267	2,826
Others	**292**	**252**	234	184
	11,052	**9,527**	11,357	9,220

* This includes an amount of USD 556 thousand (2017: USD 2,168 thousand) against impairment of insurance and reinsurance receivables for the Group and an amount of USD 202 thousand (2017: USD 1,592 thousand) against impairment of insurance and reinsurance receivables for the Company.

25. OTHER INCOME / (EXPENSES)

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Management fees	**7,039**	**5,667**	4,918	3,902
Effect of discounting of receivable from Parent	**(41,427)**	**(41,427)**	-	-
Profit from contracts recognised under deposit accounting method	**84**	**84**	423	423
Fair value gain / (loss) on forward exchange contracts (note 31)	**1,428**	**1,428**	(1,573)	(1,573)
Loss on revaluation of fixed assets	**(2,926)**	**(2,926)**	(2,936)	(2,936)
Share of profit / (loss) of an associate	**271**	**271**	(263)	(263)
Miscellaneous income / (expenses)	**3,173**	**212**	1,921	285
	(32,358)	**(36,691)**	2,490	(162)

26. TAXATION

The Group's branch in Cyprus is subject to a taxation charge of 12.5% (2017: 12.5%) on its chargeable income for the year. The branch in Labuan, Malaysia elected to pay a fixed tax of Malaysian Ringgit 20 thousand (USD 5 thousand) according to tax legislation applicable to the branch (2017: Malaysian Ringgit 20 thousand, USD 5 thousand). 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

	2018 Group USD '000	***2018 Company USD '000***	*2017 Group USD '000*	*2017 Company USD '000*
Corporation tax	**264**	**468**	882	815
Deferred tax charge (note 20)	**123**	**-**	(390)	-
	387	**468**	492	815

27. CLASSIFICATION OF FINANCIAL INSTRUMENTS

At 31 December 2018 and 31 December 2017, financial instruments have been classified for the purpose of measurement under IAS 39 'Financial Instruments: Recognition and Measurement' as follows:

27.1 *Group*

	2018			
	At fair value through income statement USD '000	***Available-for-sale USD '000***	***Loans and receivables / Held to maturity USD '000***	***Total USD '000***
Financial assets				
Cash and bank balances	**-**	**-**	**139,276**	**139,276**
Insurance and other receivables (excluding "prepayments")	**-**	**-**	**731,320**	**731,320**
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**
Financial liabilities				
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**

	2017			
	At fair value through income statement USD '000	*Available-for-sale USD '000*	*Loans and receivables / amortised cost USD '000*	*Total USD '000*
Financial assets				
Cash and bank balances	-	-	504,286	504,286
Insurance and other receivables (excluding "prepayments")	-	-	439,679	439,679
Investments	-	332,013	-	332,013
Reinsurers' share of outstanding claims reserve - reported claims (note 13.1)	-	-	368,086	368,086
	-	332,013	1,312,051	1,644,064
Financial liabilities				
Insurance and other payables	-	-	230,356	230,356
Forward foreign exchange contracts (note 18)	54	-	-	54
Reinsurance payables	-	-	33,674	33,674
Outstanding claims reserve reported claims (note 13.1)	-	-	697,855	697,855
	54	-	961,885	961,939

27. CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

27.2 *Company*

	2018			
	At fair value through income statement USD '000	***Available-for-sale USD '000***	***Loans and receivables / amortised cost USD '000***	***Total USD '000***
Financial assets				
Cash and bank balances	**-**	**-**	**82,534**	**82,534**
Insurance and other receivables (excluding "prepayments")	**-**	**-**	**677,469**	**677,469**
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**
Financial liabilities				
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**

	2017			
	At fair value through income statement USD '000	*Available-for-sale USD '000*	*Loans and receivables / amortised cost USD '000*	*Total USD '000*
Financial assets				
Cash and bank balances	-	-	441,683	441,683
Insurance and other receivables (excluding "prepayments")	-	-	398,795	398,795
Investments	-	273,718	-	273,718
Reinsurers' share of outstanding claims reserve - reported claims (note 13.2)	-	-	336,351	336,351
	-	273,718	1,176,829	1,450,547
Financial liabilities				
Insurance and other payables	-	-	208,719	208,719
Forward foreign exchange contracts (note 18)	54	-	-	54
Reinsurance payables	-	-	30,534	30,534
Outstanding claims reserve reported claims (note 13.2)	-	-	611,032	611,032
	54	-	850,285	850,339

27. CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

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.

28. 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".

28.1 *Group*

Quantitative disclosures of the fair value measurement hierarchy for assets as at 31 December 2018:

	2018		
	Level 1	***Level 2***	***Total***
	USD '000	***USD '000***	***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			
Equities			
Financial services	**114,364**	**-**	**114,364**
Others	**66,716**	**3,015**	**69,731**
Debt securities			
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**

28. FAIR VALUE MEASUREMENT (continued)

	2017		
	Level 1	*Level 2*	*Total*
	USD '000	*USD '000*	*USD '000*
Investment properties	-	40,062	40,062
Property and equipment (Land and building only) (note 15.1)	-	26,180	26,180
Available-for-sale investments			
Equities			
Financial services	171,749	-	171,749
Others	3,063	3,015	6,078
Debt securities			
Financial services	78,900	-	78,900
Government	12,505	-	12,505
Energy	12,116	-	12,116
Basic material	5,924	-	5,924
Communications	6,214	-	6,214
Consumer	11,712	-	11,712
Utilities	12,128	-	12,128
Industrial	5,820	-	5,820
Others	8,867	-	8,867

28.2 *Company*

	2018		
	Level 1	***Level 2***	***Total***
	USD '000	***USD '000***	***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			
Equities			
Financial services	**114,364**	**-**	**114,364**
Others	**28,418**	**3,015**	**31,433**
Debt securities			
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**

28. FAIR VALUE MEASUREMENT (continued)

	2017		
	Level 1	*Level 2*	*Total*
	USD '000	*USD '000*	*USD '000*
Investment properties	-	35,120	35,120
Property and equipment (Land and building only) (note 15.2)	-	25,648	25,648
Available-for-sale investments			
Equities			
Financial services	151,217	-	151,217
Others	6,078	3,015	9,093
Debt securities			
Financial services	42,194	-	42,194
Government	12,505	-	12,505
Energy	12,116	-	12,116
Basic material	5,924	-	5,924
Communications	6,214	-	6,214
Consumer	11,712	-	11,712
Utilities	12,128	-	12,128
Industrial	5,820	-	5,820
Others	4,795	-	4,795

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.

28.3 *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 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value hierarchies.

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

Description	***Valuation techniques***	***Significant inputs***
Investment property - land	Comparable method	USD 656/sqm - USD 1,482/sqm
Investment property - building	Comparable method/ income approach	USD 112/sqm - USD 11,456/sqm Rental yield of 8.50%
Property and equipment - land	Comparable method	USD 2,006/sqm
Property and equipment - building	Comparable method / income approach	USD 109/sqm - USD 4,083/sqm Rental yield of 8.50%

29. RELATED PARTY TRANSACTIONS

29.1 *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:

	Shareholders	***Entities related to shareholders***	***Other related parties***
	2018	***2018***	***2018***
	USD '000	***USD '000***	***USD '000***
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 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**	**-**	**-**
Dividend received from a related party	**-**	**5,217**	**-**
Management fees paid	**1,000**	**-**	**-**
Management fees received	**-**	**630**	**-**

	Shareholders	*Entities related to shareholders*	*Other related parties*
	2017	*2017*	*2017*
	USD '000	*USD '000*	*USD '000*
Gross premiums written	-	10,364	-
Gross claims paid	-	3,354	-
Policy acquisition costs	-	3,279	-
Commissions and fees paid for (re) insurance	-	616	-
Impairment of insurance and other receivables	-	8,326	-
Share of profit of an associate (note 25)	-	(263)	-
Dividend received from a related party	-	3,667	-
Amounts paid to related parties	146,106	-	-
Amounts received from related parties	124,559	-	-
Amounts received on behalf of related parties	10,000	-	-
Amounts paid on behalf of related parties	2,294	-	1,002
Dividend paid	14,000	-	-
Management fees paid	2,000	-	-

29. RELATED PARTY TRANSACTIONS (continued)

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

	Shareholders	***Entities related to shareholders***	***Other related parties***
	2018	***2018***	**2018**
	USD '000	***USD '000***	**USD '000**
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**

	Shareholders	*Entities related to shareholders*	*Other related parties*
	2017	*2017*	*2017*
	USD '000	*USD '000*	*USD '000*
Available-for-sale investments	-	117,725	-
Insurance and other receivables (note 8)	851	31,271	-
Insurance and other payables (note 18)	-	1,625	-
Assets held by related parties on behalf of the Group	5,886	10,776	15,425
Assets held on behalf of related parties	30,287	1,707	-

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:

	2018	*2017*
	USD '000	*USD '000*
Directors' remuneration including sitting fees	**623**	604
Salaries and benefits	**1,674**	1,796
End of service benefits	**55**	192
	2,352	2,592

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 from the property (2017: USD 31 thousand).

29.2 ***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.

29. RELATED PARTY TRANSACTIONS (continued)

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

	Shareholders	***Entities related to shareholders***	**Other related parties**
	2018	***2018***	**2018**
	USD '000	***USD '000***	***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**	**-**	**-**
Dividend received from a related party	**-**	**5,217**	**-**
Management fees paid	**1,000**	**-**	**-**
Management fees received	**-**	**1,035**	**-**

	Shareholders	*Entities related to shareholders*	*Other related parties*
	2017	*2017*	*2017*
	USD '000	*USD '000*	*USD '000*
Gross premiums written	-	10,364	-
Gross claims paid	-	3,354	-
Policy acquisition costs	-	3,279	-
Commissions and fees paid for (re) insurance	-	616	-
Impairment of insurance and other receivables	-	7,985	-
Purchase of shares in subsidiary	664	-	-
Share of profit of an associate (note 25)	-	(263)	-
Dividend received from a related party	-	3,667	-
Amounts paid to related parties	146,106	-	-
Amounts received from related parties	124,559	-	-
Amounts received on behalf of related parties	10,000	-	-
Amounts paid on behalf of related parties	2,294	-	1,002
Dividend paid	14,000	-	-
Management fees paid	2,000	-	-
Management fees received	-	221	-

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

	Shareholders	***Entities related to shareholders***	***Other related parties***
	2018	***2018***	***2018***
	USD '000	***USD '000***	**USD '000**
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**

29. RELATED PARTY TRANSACTIONS (continued)

	Shareholders	*Entities related to shareholders*	*Other related parties*
	2017	*2017*	*2017*
	USD '000	*USD '000*	*USD '000*
Available-for-sale investments	-	117,725	-
Insurance and other receivables (note 8)	851	31,062	-
Insurance and other payables (note 18)	-	8,660	-
Assets held by related parties on behalf of the Group	5,886	13,931	15,425
Assets held on behalf of related parties	30,287	1,707	-

The Company has a put option to dispose off one of its property (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:

	2018	*2017*
	USD '000	*USD '000*
Directors' remuneration including sitting fees	**563**	500
Salaries and benefits	**1,067**	1,125
End of service benefits	**55**	174
	1,685	1,799

One of the investment property located in Bahrain is leased out to a non-executive independent director of the Company. The Company recorded rental income of USD 31 thousand for the year from the property (2017: USD 31 thousand).

30. CONTINGENCIES AND COMMITMENTS

The Group has provided guarantees as follows:

30.1 Guarantee amounting to approximately USD 1,037 thousand (Euro 907 thousand) [2017: USD 1,080 thousand (Euro 900 thousand)] as a statutory requirement by Superintendent of Insurance in Cyprus in respect of its Cyprus branch.

30.2 Guarantee amounting to approximately USD 13,909 thousand (Pound Sterling 10,900 thousand) [2017: USD 14,719 thousand (Pound Sterling 10,900 thousand)] in favour of The Society & Council of Lloyds under insurance contract entered into by the Group.

30.3 Guarantee amounting to approximately USD 13,234 thousand (Pound Sterling 10,371 thousand) [2017: USD 14,005 thousand (Pound Sterling 10,371 thousand)] in favour of The Society & Council of Lloyds on behalf of a subsidiary.

All guarantees are secured against the bank balances and deposits of the Group and certain assets of related companies.

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.

31. DERIVATIVES

As at 31 December 2018, the Group and Company entered into following derivatives:

			Notional amounts by term to maturity		
	Positive fair value	*Negative fair value*	*Notional amount Total*	*Within 3 months*	*3 - 12 months*
31 December 2018	*USD 000*	*USD 000*	*USD 000*	*USD 000*	*USD 000*
Derivatives*					
Forward foreign exchange contracts (note 18)	**-**	**646**	**18,329**	**18,329**	**-**
31 December 2017					
Derivatives*					
Forward foreign exchange contracts (note 18)	-	54	19,309	19,309	-

* 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.

32. 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.

32. RISK MANAGEMENT (continued)

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.

32. RISK MANAGEMENT (continued)

Reinsurance contracts do not relieve the Group or the Company from their obligations to policyholders and consequently 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 2018***		*31 December 2017*	
	Gross	***Net***	*Gross*	*Net*
	USD '000	***USD '000***	*USD '000*	*USD '000*
Type of contract				
Facultative	**474,443**	**174,454**	500,590	193,609
Treaty	**382,598**	**279,824**	373,490	261,721
	857,041	**454,278**	874,080	455,330

Company	***31 December 2018***		*31 December 2017*	
	Gross	***Net***	*Gross*	*Net*
	USD '000	***USD '000***	*USD '000*	*USD '000*
Type of contract				
Facultative	**419,231**	**153,156**	490,902	189,953
Treaty	**338,074**	**245,662**	278,804	200,367
	757,305	**398,818**	769,706	390,320

Geographical concentration of reinsurance risk - gross

	31 December 2018		*31 December 2017*	
	Group	***Company***	*Group*	*Company*
	USD '000	***USD '000***	*USD '000*	*USD '000*
GCC	**345,800**	**305,558**	280,702	247,183
Asia	**284,120**	**251,056**	251,422	221,400
Africa	**102,280**	**90,378**	95,954	84,496
Europe	**113,674**	**100,446**	65,307	57,509
Others	**11,167**	**9,868**	180,695	159,118
	857,041	**757,305**	874,080	769,706

Sources of uncertainity in the estimation of futurs 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.

32. RISK MANAGEMENT (continued)

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.

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's exposure to foreign currency exchange rate risk at the Group's consolidated statement of financial position date by categorising monetary assets and liabilities by major currencies.

32. RISK MANAGEMENT (continued)

Currency risk - Group	***31 December 2018***				
	US Dollars	***Euro***	***British Pound***	***Others***	***Total***
	USD '000	***USD '000***	***USD '000***	***USD '000***	***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**
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 31)	**-**	**18,329**	**-**	**-**	**18,329**
	-	**18,329**	**-**	**-**	**18,329**
Net exposure	**499,290**	**(17,695)**	**40,071**	**104,520**	**626,186**

	31 December 2017				
	US Dollars	*Euro*	*British Pound*	*Others*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*	*USD '000*
ASSETS					
Cash and bank balances	433,704	4,642	27,317	38,623	504,286
Insurance and other receivables (excluding "prepayments")	335,802	27,101	25,463	51,313	439,679
Investments	325,043	6,970	-	-	332,013
Reinsurers' share of technical reserves - reported claims	273,295	11,188	221	83,382	368,086
	1,367,844	49,901	53,001	173,318	1,644,064
LIABILITIES					
Insurance and other payables	157,802	14,731	2,060	55,817	230,410
Reinsurance payables	33,674	-	-	-	33,674
Technical reserves - reported claims	442,114	18,607	1,140	235,994	697,855
	633,590	33,338	3,200	291,811	961,939
OFF BALANCE SHEET ITEMS					
Forward currency sale contracts (note 31)	-	19,309	-	-	19,309
	-	19,309	-	-	19,309
Net exposure	734,254	(2,746)	49,801	(118,493)	662,816

32. RISK MANAGEMENT (continued)

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.

Currency	***Change in variables***	***2018 Impact on loss USD '000***	***2018 Impact on equity USD '000***
British Pound	**+/- 10%**	**(1,770)**	**(1,838)**
Euro	**+/- 10%**	**4,007**	**4,007**

Currency	*Change in variables*	*2017 Impact on profit USD '000*	*2017 Impact on equity USD '000*
British Pound	+/- 10%	(275)	(346)
Euro	+/- 10%	4,980	4,980

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.

	31 December 2018				
	US Dollars USD '000	***Euro USD '000***	***British Pound USD '000***	***Other USD '000***	***Total 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**
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 31)	**-**	**18,329**	**-**	**-**	**18,329**
	-	**18,329**	**-**	**-**	**18,329**
Net exposure	**444,271**	**(11,917)**	**23,433**	**84,579**	**540,366**

32. RISK MANAGEMENT (continued)

	31 December 2017				
	US Dollars	*Euro*	*British Pound*	*Others*	*Total*
	USD '000	*USD '000*	*USD '000*	*USD '000*	*USD '000*
ASSETS					
Cash and bank balances	384,246	4,642	30,478	22,317	441,683
Insurance and other receivables (excluding "prepayments")	328,056	17,526	25,463	27,750	398,795
Investments	265,664	8,054	-	-	273,718
Reinsurers' share of technical reserves - reported claims	263,406	11,188	221	61,536	336,351
	1,241,372	41,410	56,162	111,603	1,450,547
LIABILITIES					
Insurance and other payables	157,635	14,731	2,060	34,347	208,773
Reinsurance payables	30,534	-	-	-	30,534
Technical reserves - reported claims	431,442	18,607	1,140	159,843	611,032
	619,611	33,338	3,200	194,190	850,339
OFF BALANCE SHEET ITEMS					
Forward currency sale contracts (note 31)	-	19,309	-	-	19,309
	-	19,309	-	-	19,309
Net exposure	621,761	27,381	52,962	(82,587)	619,517

Currency	***Change in variables***	***2018 Impact on loss USD '000***	***2018 Impact on equity USD '000***
British Pound	**+/- 10%**	**(1,192)**	**(1,192)**
Euro	**+/- 10%**	**2,343**	**2,343**

Currency	*Change in variables*	*2017 Impact on profit USD '000*	*2017 Impact on equity USD '000*
British Pound	+/- 10%	2,286	2,286
Euro	+/- 10%	(858)	(858)

(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 by USD 706 thousand (2017: USD 2,502 thousand).

32. RISK MANAGEMENT (continued)

(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

	Group	***Company***	*Group*	*Company*
	2018	***2018***	*2017*	*2017*
	USD '000	***USD '000***	*USD '000*	*USD '000*
Asia	**72,165**	**57,749**	47,941	42,173
Africa	**3,958**	**3,167**	6,560	2,291
Europe	**32,267**	**25,821**	76,298	36,586
GCC	**179,380**	**140,730**	164,994	160,762
North America	**40,409**	**32,336**	31,395	27,081
South America	**5,521**	**4,418**	4,825	4,825
	333,700	**264,221**	332,013	273,718

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.

		Group		**Company**	
		2018	*2017*	***2018***	*2017*
	Change in variables	***Impact on equity USD '000***	*Impact on equity USD '000*	***Impact on equity USD '000***	*Impact on equity USD '000*
Market indices					
Muscat stock exchange	**+/- 15%**	**845**	2,092	**845**	983
Doha stock exchange	**+/- 15%**	**16,225**	19,038	**16,225**	19,038
UAE stock exchange	**+/- 15%**	**-**	112	**-**	38
Riyadh stock exchange	**+/- 15%**	**70**	319	**70**	319
London Stock Exchange	**+/- 15%**	**10,761**	1,646	**9,357**	1,570

Geographical concentration of bank balances

	Group	***Company***	*Group*	*Company*
	2018	***2018***	*2017*	*2017*
	USD '000	***USD '000***	*USD '000*	*USD '000*
Asia	**8,554**	**8,554**	115	115
Africa	**393**	**393**	181	181
Europe	**55,597**	**46,733**	52,306	44,471
GCC	**74,712**	**26,833**	451,634	396,876
	139,256	**82,514**	504,236	441,643

32. RISK MANAGEMENT (continued)

(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.

	2018							
	Less than 1 month USD '000	*1 to 3 months USD '000*	*3 months to 1 year USD '000*	*Total of up to 1 year USD '000*	*More than 1 year and less than 5 years USD '000*	*More than 5 years USD '000*	*No fixed maturity USD '000*	*Total USD '000*
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**
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).

32. RISK MANAGEMENT (continued)

	2017							
	Less than 1 month USD '000	*1 to 3 months USD '000*	*3 months to 1 year USD '000*	*Total of up to 1 year USD '000*	*More than 1 year and less than 5 years USD '000*	*More than 5 years USD '000*	*No fixed maturity USD '000*	*Total USD '000*
ASSETS								
Cash and bank balances *	71,366	398	47,718	119,482	-	-	-	119,482
Insurance and other receivables (excluding prepayments)	7,114	72,227	261,387	340,729	71,173	27,777	-	439,679
Investments *	-	13,866	28,404	42,270	107,445	18,709	150,007	318,431
Reinsurers' share of technical reserves - reported claims	1,301	84,362	141,648	227,310	134,982	5,794	-	368,086
	177,029	172,570	478,086	827,685	313,600	52,280	158,393	1,245,677
LIABILITIES								
Insurance and other payables	10,178	23,496	-	33,674	-	-	-	33,674
Reinsurance payables	30,693	72,409	82,309	185,411	43,969	1,030	-	230,410
Technical reserves - reported claims	2,815	142,072	247,365	392,252	294,192	11,411	-	697,855
	43,686	237,977	329,674	611,337	338,161	12,441	-	961,939

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

32. RISK MANAGEMENT (continued)

(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.

	2018							
	Less than 1 month USD '000	*1 to 3 months USD '000*	*3 months to 1 year USD '000*	*Total of up to 1 year USD '000*	*More than 1 year and less than 5 years USD '000*	*More than 5 years USD '000*	*No fixed maturity USD '000*	*Total USD '000*
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**
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).

32. RISK MANAGEMENT (continued)

	2017							
	Less than 1 month USD '000	*1 to 3 months USD '000*	*3 months to 1 year USD '000*	*Total of up to 1 year USD '000*	*More than 1 year and less than 5 years USD '000*	*More than 5 years USD '000*	*No fixed maturity USD '000*	*Total USD '000*
ASSETS								
Cash and bank balances *	55,025	398	1,456	56,879	-	-	-	56,879
Insurance and other receivables (excluding prepayments)	7,114	66,225	229,648	302,988	68,031	27,776	-	398,795
Investments *	-	2,152	4,158	6,310	101,886	18,709	132,490	259,395
Reinsurers' share of technical reserves - reported claims	-	80,459	125,524	205,983	124,574	5,794	-	336,351
	62,139	149,234	360,786	572,159	294,491	52,279	132,490	1,051,419
LIABILITIES								
Insurance and other payables	30,693	50,772	82,309	163,774	43,969	1,030	-	208,773
Reinsurance payables	10,178	20,356		30,534	-	-	-	30,534
Technical reserves - reported claims	-	133,626	224,842	358,468	241,153	11,411	-	611,032
	40,871	204,754	307,151	552,776	285,122	12,441	-	850,339

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

32. RISK MANAGEMENT (continued)

(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.

Credit risk - Group

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

	A and above 2018 USD '000	***Below A 2018 USD '000***	***Unrated 2018 USD '000***	***Total 2018 USD '000***
Bank balances	**81,580**	**57,676**	**-**	**139,256**
Insurance and other receivables	**226,879**	**98,432**	**406,009**	**731,320**
Investments	**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**

	A and above 2017 USD '000	*Below A 2017 USD '000*	*Unrated 2017 USD '000*	*Total 2017 USD '000*
Bank balances	414,898	89,326	12	504,236
Insurance and other receivables	40,152	25,111	374,552	439,815
Investments	87,336	66,850	-	154,186
Reinsurers' share of outstanding claims reserve - reported claims	33,604	21,016	313,466	368,086
	575,990	202,303	688,030	1,466,323

Credit risk - Company

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

	A and above 2018 USD '000	***Below A 2018 USD '000***	***Unrated 2018 USD '000***	***Total 2018 USD '000***
Bank balances	**48,332**	**34,182**	**-**	**82,514**
Insurance and other receivables	**210,173**	**91,184**	**376,112**	**677,469**
Investments	**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**

32. RISK MANAGEMENT (continued)

	A and above 2017 USD '000	*Below A 2017 USD '000*	*Unrated 2017 USD '000*	*Total 2017 USD '000*
Bank balances	408,128	33,503	12	441,643
Insurance and other receivables	84,340	240,336	74,119	398,795
Investments	58,018	55,390	-	113,408
Reinsurers' share of outstanding claims reserve - reported claims	71,134	202,704	62,513	336,351
	621,620	531,933	136,644	1,290,197

(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 Lloyds 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.

32. RISK MANAGEMENT (continued)

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.

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:

	2018	*2017*
	USD '000	*USD '000*
Required margin of solvency		
Required margin of solvency for general business	**48,734**	53,857
Total required margin of solvency (A)	**48,734**	53,857
Capital available towards required solvency margin		
Tier 1 Capital	**321,107**	382,083
Tier 2 Capital	**28,914**	38,259
Deductions from capital	**(271,266)**	(458,963)
Net capital available (B)	**78,754**	(38,621)
Excess / (deficiency) of capital available over required margin of solvency (B - A)	**30,020**	**(92,478)**

As at 31 December 2017, deposits amounting to USD 355,000 thousand that were confirmed by the bank as pledged against a facility granted to the Parent were fully disallowed for the solvency purposes as per the requirements of the CBB Rulebook. During 2018, these deposits have been set off against the bank facility amount and were recorded as a receivable from the Parent in the Group's consolidated and the Company's separate statement of financial position (refer notes 2, 7.3, 8 and 29). This has resulted in an admissible amount of USD 127,272 thousand for solvency purposes that led to an excess solvency position of USD 30,020 thousand as of 31 December 2018 (2017: deficit of USD 92,478 thousand).

The Parent has an agreement in place to sell certain of its assets in order to settle the gross receivable balance of USD 357,708 thousand to the Group as per the following plan:

- Cash injection of USD 130,000 thousand (to be injected latest by 31 December 2019)
- Cash injection of USD 227,708 thousand (to be injected in three years starting 2020)

In case the Parent is unable to meet the cash injection plan at any time, the Group's and the Company's capital adequacy and solvency positions would be negatively impacted. The management is confident that the Parent will be able to execute the plan.