TRUST RE ANNUAL REPORT
2010

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TRUST INTERNATIONAL
INSURANCE & REINSURANCE
COMPANY B.S.C.(c) TRUST RE

CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER, 2010

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Arab and Middle Eastern travellers - historical, mythical or legendary - from Sinbad and Masudi to Idrisi and Ibn Battuta have captured the imagination of people for centuries. In this Annual Report Trust Re pays tribute to, arguably the greatest Middle Eastern traveller of all time – Ibn Battuta, by highlighting some of the regions he visited and where we too have special interests both in culture and business.

Ibn Battuta

It is believed that Ibn Battuta in his time, travelled more than 75,000 miles (121,000 km), a figure unlikely to have been surpassed by any traveller until the coming of the Steam Age some 450 years later. His journeys spanned nearly thirty years and covered almost the entire known Islamic world and beyond, extending from Africa, Southern and Eastern Europe , to the Middle East, Indian subcontinent and the Far East, a distance far surpassing that of his predecessors and his near-contemporary Marco Polo.

01 DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER, 2010

Bab Al Bahrain – Bahrain

Bab al Bahrain, means Gateway of Bahrain. It is located in the Customs Square in Manama's former central business district and marks the main entrance to the Manama Souq. Designed by Sir Charles Belgrave, adviser to the Emir and completed in 1945, Bab Al Bahrain once stood close to the water's edge. The country has been an important port throughout history and entrepot to the oil fields of eastern Saudi Arabia. It is not definitively known whether the great traveller visited Bahrain, but he is known to have gone to Qatif, in the eastern province of modern day Saudi Arabia and from there by sea to Oman. So it is likely that the ship carrying him would have touched port in Bahrain.

Bahrain has established itself as a leading, well-respected regional financial centre. And Bab Al Bahrain reflects the basis for this as it was and is an important trading port. As the location of Trust Re's headquarters, both the Kingdom and this iconic monument, reflect our commitment to our home base.

A Message from the Chairman

Although recent times have been difficult for the financial sector, the impact on the Insurance and Reinsurance market – insofar as Trust Re is concerned - has been more controllable. So it is with a sense of confidence that we present the 2010 results for Trust Re along with the Group's performance report, an overview of how our strategy and business plans are developing, our investment outlook and our expectations for the coming years.

The steady course that Trust Re has pursued has resulted in the Company's shareholder equity exceeding US$206.22 million when compared to last year's already excellent numbers of US$192.26 million.

These results were in large measure thanks to the hard work and diligence of our staff, the committed leadership of our management team and the wise counsel of our Board of Directors. In recognising these, we must also specially acknowledge the support we have received from our Clients, Cedants and Broker colleagues and the importance that we at Trust Re place on the continuation and improvement of our maintained A- rating by AM Best.

Other factors that impacted performance in 2010 included our strategy - a dynamic three-year rolling business plan, which allowed us to enhance and fine-tune long-term goals and tactics while monitoring Key Performance Indicators. The emphasis we place on Enterprise Risk Management (ERM) has also helped, and ERM is now the cornerstone in our approach to underwriting, claims management and general management.

Our Vision to be the Reinsurance Company of Choice in the Middle East, Africa and Asia, has contributed in no small way to our success. This Vision has led us to build relationships – internally and externally, improve the way we conduct business, develop activities and evaluate opportunities to broaden our geographic reach; all this, with the end goal of enhancing customer service levels.

The investment strategy that Trust Re followed in 2010 included spreading risks and taking opportunities in strategic markets. It proved effective in providing a high income and maintaining fair market values well above cost.

For high levels of performance it is important to have people who believe in and deliver our high standards. And the staff and management of Trust Re have constantly performed to the levels expected. Several initiatives were established to help develop personnel. These included a leading edge Performance Management System, which along with staff input improved operations and benefitted all – shareholders, personnel and the company.

Another area that Trust Re strongly believes in and has steadily built upon, is our Corporate Social Responsibility. To this end we have taken on several deserving projects in the places we live and work in.

Finally and on behalf of the Board of Directors I place on record our gratitude to all our clients, producers, business associates and staff for their continued trust in the Company we know and love as Trust Re, and rededicate ourselves to making it your continued **Re-insurer of Choice.**

Kamel Abunahl
Chairman
March 9, 2011

BOARD OF DIRECTORS
THE COMPANY BOARD OF DIRECTORS

The Board of Directors consists of three distinct groups namely Shareholder Representatives, Executive Directors and Non-Executive Directors. The Board's role is to set the overall strategic direction, approve business plans and monitor the overall performance of the business against the approved plans and within a compliant framework of corporate governance and ethical principles. Non-Executive members are elected for 2-year terms. They enhance the overall knowledge and expertise of the Board, guide the Executive and provide an independent perspective to the deliberation and decision making process.

During 2010 the Board of Directors held 5 meetings in Bahrain and on each occasion the meeting was preceded by a meeting of the Nomination & Remuneration (N&RC), Audit (AC) and Risk Committees (RC).

BOARD COMPOSITION

Name	Position	Committee Role	Attendance In 2010
Kamel Abunahl	Chairman		4
Fadi Abunahl	Chief Executive Officer		4
Ghazi Abunahl	Member (Shareholder Rep)	Member of N&RC	4
Mehran Eftekhar	Member and Board Secretary (Shareholder Rep)	Member of AC & RC	5
Jamal Abunahl	Member (Non-Executive)	Member of N&RC	4
Frixos Savvides	Member (Independent Non-Executive)	Chairman of N&RC	5
Prof. Derek Atkins	Member (Independent Non-Executive)	Chairman of RC & member of AC	5
Farid Benbouzid	Member (Independent Non-Executive)	Chairman of AC and member of RC	5

Kamel Abunahl has been in the insurance industry for almost 15 years including secondment as an assistant underwriter in a Lloyd's Syndicate in London.

Ghazi Abunahl has approximately 40 years of experience in the insurance industry, including membership of Lloyd's of London for over 30 years. He is also Chairman of the Board of Directors of World Trade Centre, New York. Mr. Ghazi Abunahl owns one share in Trust Re.

Fadi Abunahl has been involved in the insurance industry for 13 years including a period with Sedgwick Insurance Brokers in the UK. He is also the Company's Chief Executive Officer.

Jamal Abunahl has 27 years of experience in investment and related fields. He is and has been involved in the insurance industry responsible for investment matters for 23 years. Mr Abunahl holds an MBA from Salem State College, Boston USA.

Frixos Savvides is a UK qualified Chartered Accountant with almost 35 years of experience in a public auditing firm as well as the public sector including 4 years as Minister of Health in the Government of The Republic of Cyprus. He serves as a Non-Executive Board member on a number of publicly quoted companies listed on New York and London stock exchanges.

Professor Derek Atkins is a Strategy and Risk Management Professor at CASS Business School City University. He has 37 years of experience in insurance, reinsurance and consulting services. He is the author of many publications.

Farid Benbouzid has a distinguished career of 35 years in public service, insurance and reinsurance, and banking. He also serves on various Boards as a Non-Executive Director, CEO and Chairman.

Mehran Eftekhar is a Fellow Member of the Institute of Chartered Accountants in England and Wales. He has 38 years of experience in the professional and private sector of finance and corporate issues.

BOARD COMMITTEES

The Board delegates certain responsibilities to Board committees. Any such committee must keep the Board apprised on a timely basis of actions and determinations. All committees met at least 4 times in the past year and submitted written reports to the Board of Directors for full consideration.

AUDIT COMMITTEE

Farid Benbouzid	Chairman
Professor Derek Atkins	
Mehran Eftekhar	
Ramin Habibi (March 2009 - April 2010)	
Rizami Annuar	Secretary

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control and the audit.

RISK COMMITTEE

Professor Derek Atkins	Chairman
Farid Benbouzid	
Mehran Eftekhar	
Ramin Habibi (March 2009 - April 2010)	

Actuary / Committee Secretary & Risk Champion: Michail Karafoulidis

The Risk Committee assists the Board in fulfilling its oversight responsibilities for the identification, analysis, assessment and management of all the risks which the Company faces in its operation and which may impact upon the assets and liabilities of the Company; in particular (without limitation) to assist in identifying those risks which may at first seem unlikely or even remote.

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

NOMINATION AND REMUNERATION COMMITTEE

Frixos Savvides	Chairman
Ghazi Abunahl	
Jamal Abunahl	
Mufid Sukkar	Secretary

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

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company follows a policy of segregating the roles of the Chairman of the Board and the Chief Executive Officer (CEO).

The Chairman of the Board Mr. Kamel Abunahl is responsible for leading and ensuring the effectiveness of the Board and conduct of its meetings.

The CEO, Mr. Fadi Abunahl is responsible for the executive leadership and operational management of the Company. The CEO is accountable to the Board for the development, recommendation of strategies, policies and the framework of controls.

CORPORATE GOVERNANCE

At Trust Re, we believe in strong and ethical corporate governance, promoting transparency and responsibility. As a large corporation we rely on our Board of Directors to guide and supervise our general operation and long-term vision. We strive to implement the best international practices in our workplace to ensure full and effective business continuity.

STRATEGY & PLANNING

We established the position of Chief Strategy Officer to focus on developing a long-term strategic roadmap for our business and to ensure that corporate governance principles are applied.

RISK MANAGEMENT

Our Risk Management Department reports to the Board's own independent Risk Management Committee to oversee this function. It ensures that, where possible, all Internal Control Processes are examined and subjected to risk based controls. These include Internal Control Procedures, Internal Audit Plans, and Authority and Approval Manuals.

INTERNAL AUDIT

Our experienced and well-established Internal Audit Department oversees this process and reports directly to the Board's Internal Audit Committee.

HUMAN RESOURCES & TRAINING

At Trust Re we have a strong Human Resources Department with a highly qualified Manager. We have in place a well-designed, well-rounded, goal-oriented appraisal system. And, in 2010 we introduced a Fast-Track Training programme that hires and grooms fresh graduates and puts them on the path to earning professional qualifications in a matter of 2 years.

INFORMATION TECHNOLOGY

We have innovative, strategically designed IT solutions that use proven technology to help maximise Returns on Investment (**ROI**), control costs, drive revenue, cultivate growth and gain a competitive advantage. Thanks to Group-wide standards and global service contracts with recognised IT suppliers, our IT force has in place advanced communication and management systems for day-to-day functioning across the Group as well as a comprehensive Disaster Recovery Plan (**DRP**) to ensure business continuity, prevent data loss and keep critical applications in any IT disaster.

CHIEF EXECUTIVE OFFICER & DIRECTORS' REPORT

TRUST RE CEO MESSAGE

In spite of the past year's turbulent Marketplace and largely through the use of our network and diligent underwriting performance, Trust Re has enjoyed a year of growth. Thanks for this well-orchestrated period of growth must also go to the unprecedented support we received from our Clients, Cedants and Broker community. This combination of factors has allowed us to report growth in the business and excellent results in spite of an otherwise difficult trading environment. The Company has been able to develop new lines of business and enhance its teams in order to better respond to the challenges of the market we work in.

The main focus of the Company continues to be in the Energy Sector and we are delighted to be able to report that the portfolio grew year by year in this vital area of its business. The Company also increased the share of the business where it provided Lead Terms by a significant margin, due in no small part to the outstanding performance of our teams of highly qualified and experienced underwriters. One area in particular where the Company's expertise and commitment has produced substantial dividends is in the newly reemerging Insurance activity in Iraq where Trust Re has been able to offer terms on many new projects and existing activities.

Other areas showed strong growth as well and the Company recorded an overall expansion in its volume of business by 16.39%. The Marine Hull and Cargo, Property, Liability and Treaty Reinsurance operations continue to show innovation and creativity in the way they look to developing their books of business. In a difficult environment, we are working towards a better balance in our Treaty Reinsurance business between Proportional and Non-Proportional business to sustain a profitable area for the future.

Ours is a dynamic business and at Trust Re we continue to look for new lines of business and innovative ways to enhance the continuing development of the business activity which is a core performance indicator to our current financial health and future prosperity and growth.

This year we at Trust Re celebrated our 20th anniversary in 2010 and were delighted to have so many of our friends and extended family join with the Company to celebrate a significant event in our development. The Governor of the Central Bank of Bahrain and the Deputy Chairman of Lloyd's of London were among the distinguished guests who shared this milestone with us.

The people of this Company are its core asset and together with those comments made elsewhere in the report by our Chairman, I also recognise and wish to pay tribute to their contribution and dedication to ensuring that Trust Re continues to be your **Re-insurer of Choice.**

Thank you

Fadi Abunahl
Chief Executive Officer
March 9, 2011

DIRECTORS' REPORT

THE GROUP RESULTS

The Group's gross premium in 2010 reached US$304.68 million compared to US$262.15 million in 2009. Retained premium stood at US$192.02 million (63.02%) as against US$143.83 million (54.86%) in 2009.

For 2010, the level of incurred claims is US$99.36 million, against US$76.33 million in 2009.
The net underwriting results stood at US$17.94 million (10.84%) in 2010 as compared to US$13.79 million (11.33%) in 2009.

The net loss ratio is 60.00% in 2010 as compared to 62.71% in 2009.

Net investment and other income for 2010 is (US$0.61 million) compared to US$5.67 million in 2009. This is mainly due to the write down of US$3.16 million on the value of the Trust Tower building.
As a result of the above mentioned factors, the Group posted a net profit for 2010 of US$17.54 million compared to US$19.12 million in 2009.

THE COMPANY RESULTS

The Company's gross premium in 2010 reached US$301.86 million compared to US$259.37 million in 2009. Retained premium stood at US$189.99 million (62.94%) as against US$141.23 million (54.45%) in 2009. The increase in the retained premiums is due to the effect of the Company's new reinsurance program effective since July 2010.

For 2010, the level of incurred claims is US$103.70 million, against US$77.68 million in 2009.
The net loss ratio is 63.65% in 2010 as compared to 65.73% in 2009.

The net underwriting profit margin was US$16.92 million (10.35%) in 2010 as compared to US$12.68 million (10.73%) in 2009.

Net investment and other sources of income declined in 2010 reaching US$1.08 million compared to US$6.44 million in 2009.

As a result of the abovementioned factors, the Company has posted a 2010 net profit of US$17.97 million down slightly on the US$19.06 million profit attained in 2009.

THE GROUP FINANCIAL STRENGTH

The Group's high estimate net technical reserves stood at US$230.97 million as of December 2010 compared to US$190.37 million as of December 2009.

Cash and bank balances were at US$102.28 million as at December 2010, as compared to US$73.59 million as at December 2009.

Total investments stood at US$183.15 million at the end of 2010 compared to US$157.31 million at the end of 2009.

The shareholders equity stood at US$203.79 million compared to US$193.71 million in 2009.

KEY RATIOS FOR THE YEAR WERE

Performance Ratios %

	Note	2010	2009
Underwriting Profits	1	10.84	11.33
Retention Ratio	2	63.02	54.86
Combined Ratio	3	89.16	88.66
Return on Equity	4	8.82	9.45

THE COMPANY'S FINANCIAL STRENGTH

The Company's high estimate net technical reserves stood at US$177.41 million as at December 2010 compared to US$117.49 million as at December 2009. The increase in technical reserves is consistent with the Company's growth. We have substantially increased the IBNR reserves in line with changes to our reinsurance programme and higher retentions.

Cash and bank balances are US$88.91 million as at December 2010 up from US$62.90 million as at December 2009.

Total investments stood at US$166.80 million at the end of 2010 compared to US$133.78 million at the end of 2009.

The shareholders equity stood at US$206.17 million compared to US$192.26 million in 2009.

KEY RATIOS FOR THE YEAR WERE

Performance Ratios %

	Note	2010	2009
Underwriting Profits	1	10.35	10.73
Retention Ratio	2	62.94	54.45
Combined Ratio	3	89.61	90.48
Return on Equity	4	9.03	9.49

Significance of Ratios:

1. Underwriting Profit:
   This ratio compares underwriting profit to net earned premium.
2. Retention Ratio:
   This ratio indicates the extent of dependence on reinsurance.
3. Combined Ratio:
   The combined ratio aggregates the cost ratio (acquisition costs and operating costs) and the loss ratio (net incurred claims).
4. Return on Equity:
   Computed as a proportion of net profit to average shareholders equity.

INVESTMENT

Our investment categories are:

Investment in Lloyd's through Trust Underwriting Limited
Real Estate in Spain
Stocks and Shares
Selected Bonds
Properties in Bahrain
Investments in Associates
Other Strategic Investments

TRUST UNDERWRITING LIMITED

A wholly owned Corporate Capital subsidiary in the UK, Trust Underwriting Limited, participates in spread portfolios of Lloyd's syndicates. The 2010 portfolio stood at £31.078.679.

2007 year of account closed with record profits and £4.6 million cash distribution in May 2010.

The estimate for 2008 accounting year deteriorated slightly due to additional losses by motor syndicates, however the bottom line is still in profit with £819.311 or 7% on Capital employed.

The estimated result for 2009 – affected by the earthquake in Chile – is also reduced to 6.7% or £1.814.924. The balanced 2011 portfolio stands at £26.997.173.

There is a 70% Quota Share arrangement with the Company that is renewed on an annual basis, contributing US$4.1 million to the Company's technical profit and bottom line at December 31, 2010.

The soft market will continue unless there are events with large losses. The market capital position is very strong and it requires an event twice that of the New Orleans hurricanes in order to move the market. Demand for capacity at Lloyd's continues to be high as returns are expected to be better than interest investment income.

VENTURA DEL MAR

This Spanish real estate entity is our wholly owned subsidiary through a UK holding company. It consists of high value properties focused on high net worth individuals who are unlikely to require mortgages and are less affected by the current financial climate.

A recent independent valuation of the properties supported our belief in the property value and compares favourably with our own assessment of prices.

We expect that some of the units will be sold over the budget period at the asking prices.

The Beach Bar was recently granted a freehold title, which has enhanced its value by €1.5 million.

We have received many offers during the year equivalent to €15million but declined these as they were below our expectations. We still intend to sell the units as soon as possible thereby reducing the real estate concentration on our balance sheet.

STOCKS AND SHARES

Stocks and shares have declined along with other GCC Securities but fortunately far less in comparison to traditional markets. Our portfolio still shows a positive fair value surplus of US$14.72 million.

All the entities whose market values have declined are still providing very healthy profits resulting in substantial dividends and bonus shares. This is expected to continue in future. Qatar is dependent on Gas revenues the price for which is constant.

SELECTED BONDS

We have already made two investments in Bonds. We plan to invest further liquid funds in this asset class depending on asset-liability matching. We expect the yield on the bonds we have already acquired to exceed 7%.

PROPERTIES IN BAHRAIN

The Company owns the following properties in the Kingdom of Bahrain. Our main property is Trust Tower of which eight floors are utilized by the Company for its operations, one floor is used for conference facilities and six floors are managed in partnership with Regus. This partnership has provided returns exceeding or equalling the market rents we would have received under a normal contract. We also own two parcels of land for development.

INVESTMENT IN ASSOCIATES

Our approach to investing in associates is with a view to long-term commitments. We believe, in the future, these will result in a minimum of 10% returns on investment. Additionally, there is sufficient diversification within the portfolio and within our risk appetite.

AFRO ASIAN ASSISTANCE B.S.C. (C)

The groundwork for this venture began in 2008 and is based on providing the insurance market - in Bahrain and beyond - with a highly desirable alternative in the Insurance Assistance arena. Afro Asian Assistance has brought on board the best consultants and IT companies in the business and offers a range of value-added services that have been developed for the market only after studying the actual and projected needs of the sector. Barring a few minor installations that remain, Afro Asian is expected to be up and running in 2011.

STRATEGIC INVESTMENTS

At Trust Re we have always believed that it is better for us to maximize our investment return and yield through portfolios we know and those where we can effectively manage our risk. We are not in the business of taking advantage of the substantial gains already made on income-generating investments. We also do not believe in over-extending ourselves with additional exposure to existing income-generating investments.

Our strategic investments take into consideration the approved risk appetite, providing a steady and consistent source of income while adding more value to our core business.

We are in the process of developing the company's Enterprise Risk Management (ERM) evaluating tolerances, concentration and geographical spread.

A new investment management Group subsidiary, at holding company level, is to be set up. This will assist with Group investments as well as with our core and non-core financial services businesses regionally either through opportunistic acquisitions or start-up companies within the bounds of internally-generated financial resources.

This Group investment management subsidiary at holding company level, in cooperation with the Company's investment department will fully manage the investments in a risk applied and Dynamic Financial Analysis (DFA) applied manner.

COMPANY STRUCTURE AND HUMAN RESOURCES

CORPORATE STRUCTURE

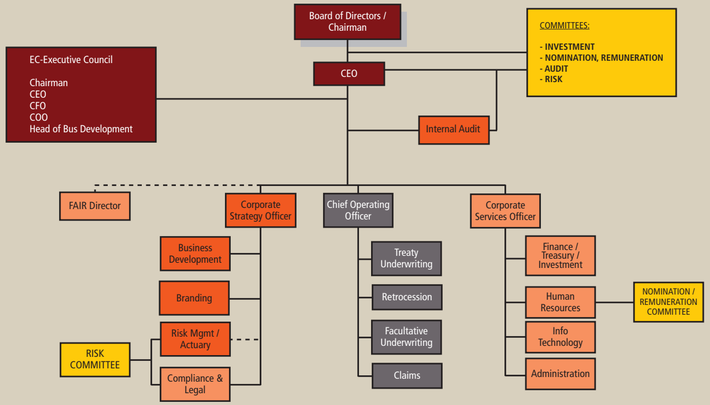
Trust Re has been built on four main founding principles: professionalism, commitment to superior service, investment in technology and human capital, and the enhancement of shareholder value. With these as our base, we have organised the Trust Re corporate body into three distinct pillars - Corporate Services, Operations and Strategy. The heads of each of these pillars report to the Chief Executive Officer.

Corporate Services: This is the 'backbone' of the organisation, it leads, guides and directs the following areas: Finance, IT, HR, Administration, Quality Control, Legal and other areas. All these have their specific line managers who report to the Chief Corporate Services Officer.

Operations: Considered the 'heart' of the organisation, this sustains the day to day running of the Group and it's where all production and underwriting take place. Both Facultative and Treaty heads report to the Chief Operating Officer.

Strategy: Referred to as the 'brains', this pillar is responsible for the future outlook of the company. It controls such functions as Actuary, Risk Management, Research & Development all of whom report to the Chief Strategy Officer.

CORPORATE ORGANIZATION CHART IDENTIFYING ALL PERSONS IN CONTROLLED FUNCTIONS



HUMAN RESOURCES

Through 2010 the Human Resources Department continued to facilitate the proactive processes that were put in place in 2009. These have transformed as well as served to both modernise and intensify the HR function within the organisation. Several value-added initiatives have been implemented or rolled out, these include:

Recruitment and Business Continuity Assurance – Retaining High Quality Staff

a) Full design and implementation of the Trust FastTrack Program with completion of 2 of the 3 phases in 2010.
b) Identification, securing and effecting of a price-competitive international family medical coverage for all employees.

Accounting for Performance

a) Continued refinement of the Business Plan into well-defined and structured departmental KPIs and more comprehensive individual employee objectives/goals.
b) Continued refinement of the software functionality (Phase 2) of the structured Performance Management System (PMS) and inclusion of branch and sister companies for evaluation.

Strengthening Organizational Capacity – Developing/Building a Learning Organization

a) Continued refinement and embedding of the Capability Framework model to support planned structured Training and Development across the entire organization, as well as being the foundation for initiating succession planning.

b) Completion of a historical Employee Training Record database to be the source for development of a structured individual employee training and development plan for job and career development.

c) Securing of an e-learning Management and Leadership program for junior and middle management to develop a 21st century management and leadership foundation in Trust Re upon which to build succession planning.

Maturing the Human Resource Management Function

a) Identifying a high functional Human Resources Management System (HRMS) that matches Group and all Group entities' requirements to allow each Group company to drive their HR function individually, and to connect the HR functions across the Group.

b) Completion and approval of highly defined Personnel Policies and Procedures compliant with necessary legislation.

MANAGEMENT TEAM

Trust Re has a high-caliber management team to run its operational activities. The following are the members of the management team:

Fadi Abunahl, CEO, has been involved in the insurance industry for 13 years including a period with Sedgwick Insurance Brokers in the UK.

Paul Cotterill, COO, spent 45 years in the industry and has worked with companies like BP, Shell, ExxonMobil, CNOOC and ENICHEM.

Gamal Hamza, Head of Business Development, has 40 years of international experience in the insurance industry.

Gunnar Maltegard, Chief Underwriter, has held this position at Trust Re for the past 15 years. His career in the industry spans 39 years.

Nabil Hajjar, Director of FAIR Oil and Energy Syndicate with 33 years industry experience in the UAE, USA, Cyprus and Bahrain.

Thommy Thomas, Regional Manager & Senior Underwriter, has been with Trust Re since its inception, with 10 years at Qatar General Insurance & Reinsurance Company.

Michail Karafoulidis, Head of Actuarial and Risk, has over 20 years of actuarial experience in London and other international markets.

Malcolm Fonseca, Technical Manager, has over 33 years of industry experience covering a variety of insurance and reinsurance disciplines.

Romel Tabaja, Senior Underwriter, has been working in the insurance and reinsurance industry for over 10 years.

Selastin Anthoniappan, Finance Manager, has experience that includes 9 years in audit and 14 years in reinsurance with Trust Re.

Kuriyan Oomman, Claims Manager, has been working with Trust Re since its inception in 1989, with 9 years at Qatar General Insurance & Reinsurance Company.

Christine Chemerinski, Head of Human Resources, has 20 years of Education & HR experience in the Middle East, Canada & South Africa.

Mahmud Otoum, IT Communications Manager, has 11 years of experience in progressively senior positions, including 7 years with Trust Group.

Rizami Annuar, Internal Audit Manager, has worked in the insurance and reinsurance industry for over 10 years.

RISK AND ACTUARIAL

A formal Enterprise Risk Management plan was approved by the Board, and during the course of 2010, this was implemented. The basic foundations and framework have been set up and the way forward is continuously updated and monitored by the Board's Risk Committee.

The focal point of our ERM framework at Trust Re seeks to create a risk awareness culture. We have and will continue to place significant emphasis on educating our people and on enhancing the core risk management competencies of both staff and management.

Among measures taken to achieve this was the launch of a quarterly ERM newsletter in early 2010. The newsletter is available to all stakeholders - staff, management, board, rating agencies and others. It is designed to inform, educate and provide updates about risk management and the progress in the Company's ERM implementation efforts. This initiative was a central component of the ERM Communication plan approved by the Board's Risk Committee.

There was significant progress in the implementation of the formal ERM Framework during 2010. The following partial list provides a brief summary of progress:

- Two formal risk review activities took place at intervals of 6 months. Risk registers were reviewed and revised over and above continuous utilization of risk registers by various managers
- A total of 4 ERM Newsletters were released in 2010
- The risk review process was formalized and formal risk review activities will be conducted annually
- Business Impact Analysis sessions were held with all managers in order to record time critical activities for each department as part of overall preparation for a Business Continuity Plan
- Phase I of the Business Continuity Plan has been completed and the plan is available to all managers
- A tool for monitoring ERM maturity assessment of the Company was internally developed along with it an associated detailed questionnaire was reviewed and approved by the Risk Committee. Such assessments will begin in 2011
- A mini Risk Appetite workshop was held at Board level and through a collaborative effort, involving the Board and the Executive, we developed our first formalized Risk Appetite Statement which, in fact, incorporated a set of statements
- After extensive research and many discussions, Board approval was given for the development of our own internal Economic Capital Model in collaboration with external consultants. This is expected to be a long - term project and work on this project is expected to begin in the second quarter of 2011

Our ERM development and risk embedding efforts will continue during 2011 with informative projects such as, but not limited to:

- More advanced reserving practices
- Precise/accurate pricing tools
- Economic Capital Model
- Further ERM workshops covering/expanding on existing achievements in the areas of Risk Review, Maturity Assessments, Dynamic DAL

The intellectual capital that will be developed as a result of these projects will also be available to our Trust Re clients. Our devotion to the continuous development of our ERM capabilities and our efforts for embedding a real risk aware culture within the organization will help us to succeed in achieving the desired Company Vision of **Re-insurer of Choice**.

RISK-BASED INTERNAL AUDIT

Our Internal Audit Department provides objective and independent assurance to the Management and Board (through the Audit Committee) on the Company's exposure to significant risks and the capabilities of the related control activities to manage these risks. Where weaknesses are identified, Internal Audit recommends enhancements to the internal controls and governance mechanisms.

Robust and dynamic internal control systems are critical to meeting the evolving Enterprise Risk Management process. To meet this requirement, the Internal Audit has continued a strategy of adopting continually improved risk-based internal audit methodologies.

Our department's independence is maintained because functionally we report directly to the Audit Committee and administratively to the Chief Executive Officer. Regular Audit Committee meetings were held to review and discuss outcomes of the internal audit assignments and related matters, including those of external audit activities.

At Trust Re our Internal Audit Department has a close working relationship with the Group Internal Audit Department of Nest Investments Holdings. Thus all internal auditing activities are executed in a consistent manner. The Internal Audit team comprises of well qualified and experienced staff, nonetheless, when specific specialist skills or additional resources are required, these are subject to review by the Audit Committee.

Internal audit assignments were carried out in accordance with the 2010 risk-based Annual Internal Audit Plan as approved by the Audit Committee. Results of which, and agreed remedial actions, were allocated to the respective Heads of Department with the CEO being ultimately responsible. Copies of the final and Audit Committee-approved reports were also given and discussed with the Company's Risk department so that they could proceed and update their risk registers accordingly.

In terms of internal process improvement, the Internal Audit Department has fully implemented and utilises the TeamMate Electronic Working Paper that has strengthened the management of internal audit working papers. By using TeamMate we also complement the Company's Enterprise Risk Management initiatives.

In conjunction with the Group Internal Audit Department, we saw the publication of our Quarterly "AuditTimes" Newsletter. This aims to further spread the awareness of Internal Auditing to the rest of the employees; thus enhancing communication.

COMPLIANCE

Trust Re has appointed a Compliance Officer approved by the Central Bank of Bahrain. He is allowed unrestricted access to Trust Re records and has ultimate recourse to the Board of Directors and Executives. As previously, the Compliance Officer will ensure compliance with applicable requirements in the Kingdom's legislation and those set by the CBB, as well as those established under any other statute or regulator to which Trust Re is subject.

Through this function at Trust Re we assure that we maintain and adhere to high standards and legal requirements in all our services. These standards are derived from internationally accepted principles of best advice and practice and the regulatory requirements of the financial supervisory bodies in the territories in which we operate.

Among the responsibilities that come under Compliance are ensuring that we follow the policies, procedures and guidelines of the Anti-Money Laundering Manual, and the Financial Crime Module of the Insurance Rulebook as issued by the CBB. In addition, Compliance also keeps us abreast of relevant updates as issued by the CBB.

COMPANY'S SOLVENCY STATEMENT

This summarised Solvency Statement seeks to compare Trust Re's available capital to its solvency margin requirements. Both these have been determined in accordance with the regulatory provisions prescribed by the Central Bank of Bahrain.

Available capital is determined as the aggregate of two tiers of capital funds. Tier 1, or core capital, comprises the highest quality capital. Tier 2, or supplementary capital, comprises other instruments that, to varying degrees, fall short of the quality of Tier 1 capital but, nonetheless, contribute to the overall financial strength of the Company.

For general insurance business, solvency margin requirements are determined by taking the higher of premium basis and claim basis calculations that are prescribed by the Central Bank of Bahrain. Where these calculations result in solvency margin requirements falling below the minimum fund size prescribed by regulations, such minimum fund size is considered as the required margin of solvency. Total available capital is then compared with the required margin of solvency and the total excess or deficiency determined. As at 31 December 2010, the Company's summarised solvency position improved as shown in the following table:

	31.12.2010 In US$'000	31.12.2009 In US$'000
Capital available	131,917	124,841
Required margin of solvency	34,993	26,330
Excess of Capital available over the required solvency margin	96,925	98,511
*Cover	3.76x	4.74x

*Our cover remains strong despite increased requirements of solvency margin

CORPORATE SOCIAL RESPONSIBILITY

As a multi-cultural international organisation, we are aware that we operate within a variety of cultures amongst diverse communities. As Trust Re has been fortunate to experience prosperity over the years we try to share some of our good fortunes with those less fortunate and support initiatives to ensure a future world for generations to come.

Internally Trust Re has introduced a Document Management System to move towards a predominantly paperless workplace and we are introducing an extensive recycling initiative. Externally, Trust Re seeks to initiate or continue to support:

- The "Orphan's Support Programme" involving our staff and their family members in conducting activities with the orphanages in Bahrain
- The Ramadan Charity Food Drive for poor families in Bahrain
- The Fast Track Internship Programme which secures 50% of the available positions to eligible qualified Bahrainis
- Annual community and institutional sponsored 'green environment' events

ACKNOWLEDGEMENT

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

On Behalf of the Board
Fadi Abunahl
Chief Executive Officer
March 9, 2011

REMUNERATION AND FEES

The Directors remuneration is fixed in accordance with Legislative Decree No (21) of 2001 of Commercial Companies Law. The amount is capped at 10% of the net profit, after deduction of prescribed legal reserves and a minimum cash dividend distribution.

The Board of Directors will propose to the Annual General meeting a fee of US$168.750 to be paid to the Directors for the year 2010.

The total remuneration and management fees paid to the Executive Management team and the holding company in 2010 amounted to US$1.83 million (US$1.80 million in 2009).

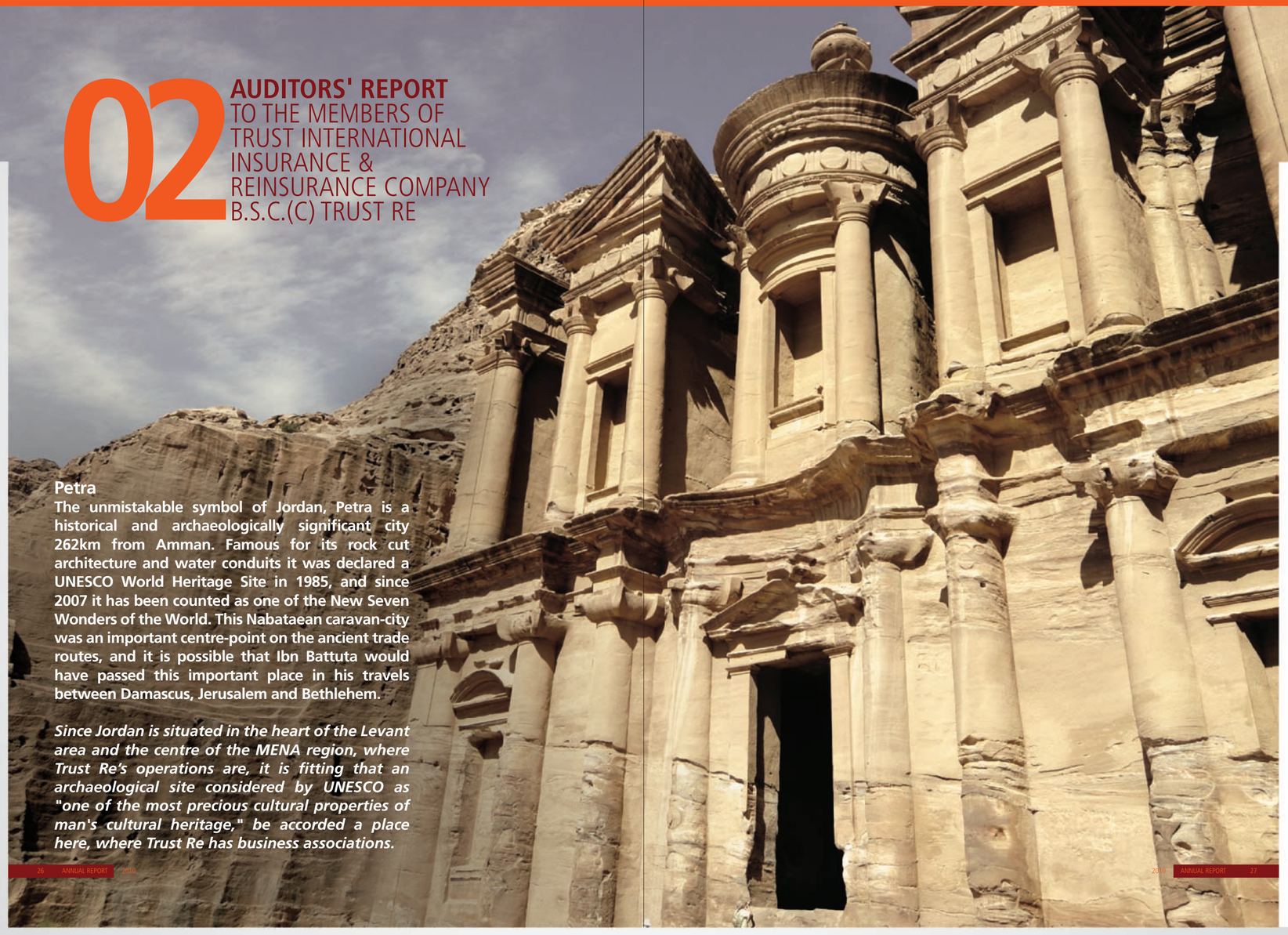
AUDITORS

PKF Bahrain, the current auditors, will not be reappointed. The appointment of new auditors is pending.

DIVIDEND

The Board of Directors will propose to the Annual General Meeting a cash dividend of US$15 million i.e. 15% of the Company's paid-up capital for the year ended 31 December, 2010.

02 AUDITORS' REPORT TO THE MEMBERS OF TRUST INTERNATIONAL INSURANCE & REINSURANCE COMPANY B.S.C.(C) TRUST RE



Petra

The unmistakable symbol of Jordan, Petra is a historical and archaeologically significant city 262km from Amman. Famous for its rock cut architecture and water conduits it was declared a UNESCO World Heritage Site in 1985, and since 2007 it has been counted as one of the New Seven Wonders of the World. This Nabataean caravan-city was an important centre-point on the ancient trade routes, and it is possible that Ibn Battuta would have passed this important place in his travels between Damascus, Jerusalem and Bethlehem.

Since Jordan is situated in the heart of the Levant area and the centre of the MENA region, where Trust Re's operations are, it is fitting that an archaeological site considered by UNESCO as "one of the most precious cultural properties of man's cultural heritage," be accorded a place here, where Trust Re has business associations.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Trust International Insurance & Reinsurance Company B.S.C.(c) Trust Re as set out on pages 30 to 79.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of consolidated financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you. This report is made solely to the Company's members, as a body, in accordance with the Bahrain Commercial Companies Law. Our work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BASIS OF OPINION

We conducted our audit in compliance with the Bahrain Audit Law 26/1996 and in accordance with International Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group the results of its operations, the changes in its equity, as at 31 December, 2010 and its cash flows for the year then ended in accordance with International Financial Reporting Standards as applicable to Insurance Companies and comply with the Bahrain Commercial Companies Law No. 21 of 2001 and the Central Bank of Bahrain and Financial Institution Law 2006 and Volume 3 of the Central Bank of Bahrain Rule Book.

EMPHASIS OF MATTER

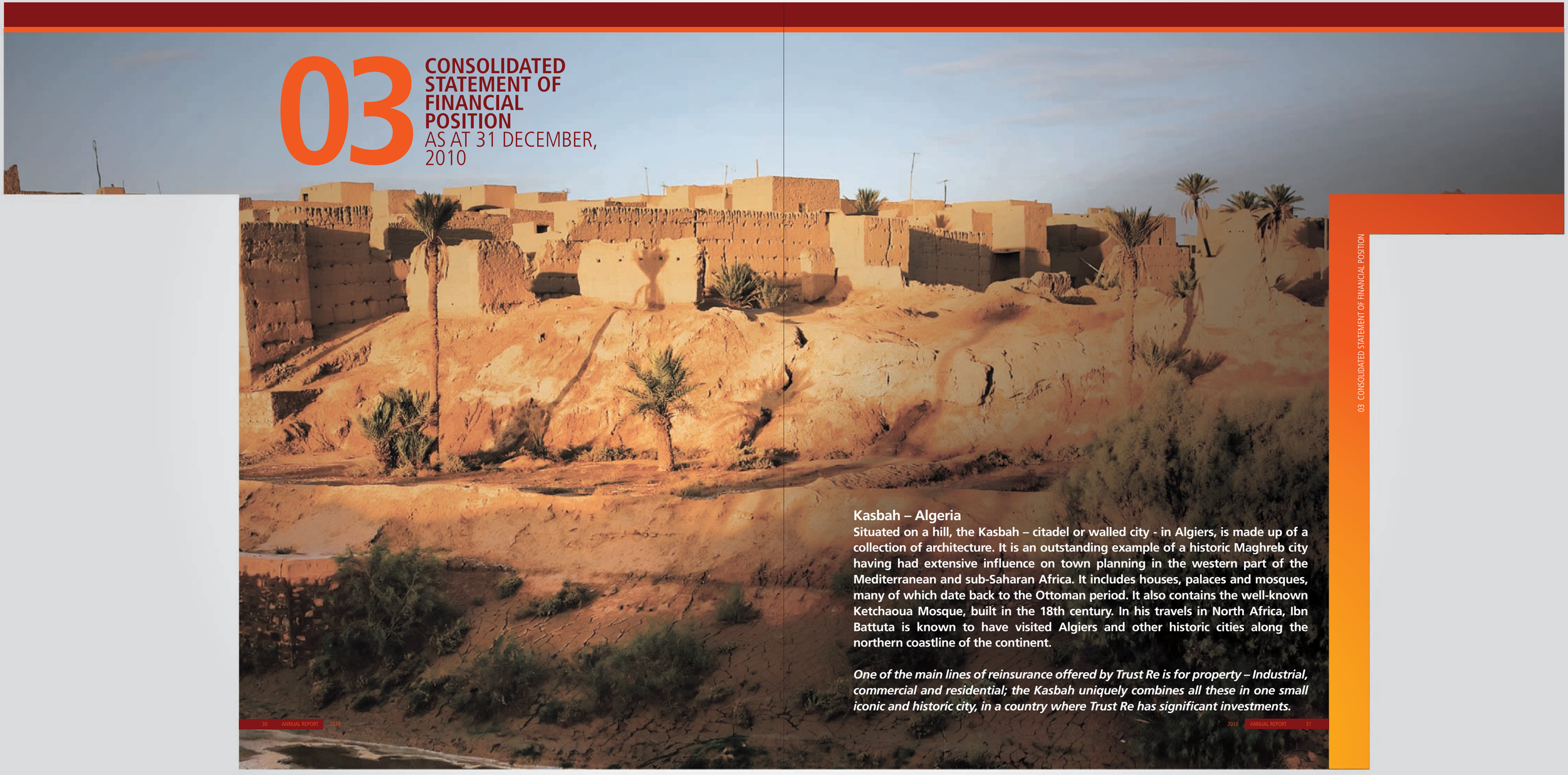
Without qualifying our opinion, we draw attention to note 2c regarding the consolidation of Trust Underwriting Ltd results, using the 31.12.2010 management accounts.

OTHER REGULATORY MATTERS

In addition, in our opinion, the Company has maintained proper accounting records and the financial statements are in agreement therewith. We have reviewed the accompanying report of the Board of Directors and confirm that the information contained therein is consistent with the financial statements. To the best of our knowledge and belief, no violations of the Bahrain Commercial Companies Law No. 21 of 2001, the Central Bank of Bahrain and Financial Institution Law 2006 and Volume 3 of the Central Bank of Bahrain Rule Book or the terms of the Company's memorandum and articles of association have occurred that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.

PKF BAHRAIN
9 March, 2011

03 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2010



Kasbah – Algeria

Situated on a hill, the Kasbah – citadel or walled city - in Algiers, is made up of a collection of architecture. It is an outstanding example of a historic Maghreb city having had extensive influence on town planning in the western part of the Mediterranean and sub-Saharan Africa. It includes houses, palaces and mosques, many of which date back to the Ottoman period. It also contains the well-known Ketchaoua Mosque, built in the 18th century. In his travels in North Africa, Ibn Battuta is known to have visited Algiers and other historic cities along the northern coastline of the continent.

One of the main lines of reinsurance offered by Trust Re is for property – Industrial, commercial and residential; the Kasbah uniquely combines all these in one small iconic and historic city, in a country where Trust Re has significant investments.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2010

	Note	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
ASSETS					
NON CURRENT ASSETS					
Goodwill	12	24.644.734	-	22.767.386	-
Property, plant and equipment	9	31.774.703	26.340.482	38.277.839	32.873.516
Intangible assets	10	737.817	-	1.036.251	-
Investments	11	183.153.094	166.800.684	157.317.455	133.788.477
		240.310.348	193.141.166	219.398.931	166.661.993
CURRENT ASSETS					
Reinsurers' share of technical reserves	21	217.983.770	207.163.859	214.365.499	200.180.606
Gross deferred acquisition cost		38.264.038	33.771.788	34.739.134	29.275.068
Stock and work in progress	12	8.955.275	-	9.530.350	-
Accounts receivable and prepayments	13	181.269.073	185.986.499	157.635.601	160.494.210
Deferred tax asset	24	332.516	-	179.357	-
Reinsurance balances receivable	14	16.035.743	9.779.512	20.879.441	7.041.726
Parent undertaking	16	15.021.177	15.021.177	17.692.048	17.692.048
Cash and cash equivalents	17	102.283.031	88.906.472	73.596.563	62.906.090
		580.144.623	540.629.307	528.617.993	477.589.748
Total assets		820.454.971	733.770.473	748.016.924	644.251.741

	Note	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
LIABILITIES AND SHAREHOLDERS' EQUITY					
CAPITAL AND RESERVES					
Share capital	18	100.000.000	100.000.000	100.000.000	100.000.000
Reserves	19	105.540.556	106.190.030	93.584.299	92.261.529
Equity attributable to equity holders of the parent		205.540.556	206.190.030	193.584.299	192.261.529
Non controlling interest		121.941	-	126.477	-
		205.662.497	206.190.030	193.710.776	192.261.529
CURRENT LIABILITIES					
Creditors and accruals	23	124.720.908	107.924.013	107.187.654	99.612.739
Deferred tax liability	24	557.455	-	659.318	-
Bank loan	22	1.501.872	-	1.799.479	-
Reinsurance balances payable		18.631.215	14.660.705	21.090.740	15.868.750
Gross technical reserves	21	448.957.599	384.572.300	404.730.509	317.670.275
Reinsurers' share of deferred acquisition cost		20.423.425	20.423.425	18.838.448	18.838.448
		614.792.474	527.580.443	554.306.148	451.990.212
Total liabilities and shareholders' equity		820.454.971	733.770.473	748.016.924	644.251.741

Kamel Ghazi Abunahl
Chairman

Fadi Ghazi Abunahl
Director & Chief Executive Officer

9 March, 2011
The accompanying notes on pages 46 to 79 form part of these financial statements.

04 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2010

Victoria Falls: Southern Africa

The Victoria Falls or Mosi-o-Tunya (the Smoke that Thunders) is located on the Zambezi River between the countries of Zambia and Zimbabwe in southern Africa. One of the world's most famous falls, Victoria Falls is considered one of the Seven Natural Wonders of the World. Although neither the highest nor the widest, it is claimed to be the world's largest waterfall based on a width of 1,708 metres (5,604 ft) and height of 108 metres (354 ft), forming the largest sheet of falling water in the world. Ibn Battuta didn't travel as far south, but his extensive travels in the continent reflect our own abiding interest in the cultures, peoples and future of Africa.

Trust Re has many professional connections with Africa including the African Insurance Organization (AIO) and the Federation of Afro Asian Insurers & Reinsurers (FAIR), in which we have been entrusted with the management of the FAIR Oil & Energy Insurance Syndicate, an independent entity with sizable underwriting capacity.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2010

	Note	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Gross written premium	27	**304.681.280**	**301.866.888**	**262.153.472**	**259.365.943**
Net earned premium		165.596.391	162.935.053	121.713.908	118.168.865
Claims and related expenses		(99.361.375)	(103.701.801)	(76.326.293)	(77.676.89)
Acquisition costs, commissions and taxes		(31.568.997)	(27.913.325)	(20.746.635)	(18.314.59)
Gross underwriting profit	25	34.666.019	31.319.927	24.640.980	22.177.377
Technical income		-	-	-	1.386.029
Technical expenses	6	(16.721.397)	(14.395.972)	(10.842.004)	(10.882.195)
Net underwriting profit		17.944.622	16.923.955	13.798.976	12.681.211
Investment income	3	673.459	(501.331)	4.857.083	2.811.388
Other income	4	1.254.506	1.777.171	1.386.662	1.938.365
Income from investment property	5	(838.704)	(838.704)	138.116	138.116
Non technical expenses	6	(4.609.019)	(2.901.992)	(4.799.111)	(2.533.761)
Financial income	7	2.913.639	3.546.956	4.090.594	4.092.113
Profit from operations		(606.119)	1.082.100	5.673.344	6.446.221
Profit for the year before tax		17.338.503	18.006.055	19.472.320	19.127.432
Taxation	8	200.218	(33.476)	(347.421)	(57.867)
Net profit for the year available for appropriation		17.538.721	17.972.579	19.124.899	19.069.565

	Note	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Other comprehensive income					
Available for sale investments – fair value gain/(loss)		20.640.607	20.640.607	(21.300.079)	(21.300.079)
Property, plant & equipment – fair value (loss)		(5.840.699)	(5.840.699)	-	-
Provision for liability to contractor		(530.000)	(530.000)	-	-
Revaluation of building per IAS40		(3.164.403)	(3.164.403)	-	-
Directors remuneration		(149.583)	(149.583)	(275.000)	(275.000)
Other comprehensive income / (expense)		10.955.922	10.955.922	(21.575.079)	(21.575.079)
Total comprehensive income / (loss) for the year		**28.494.643**	**28.928.501**	**(2.450.180)**	**(2.505.514)**
Profit appropriated as follows:					
Equity holders of the parent		17.602.064	17.972.579	19.212.046	19.069.565
Non controlling interest		(63.343)	-	(87.147)	-
		17.538.721	**17.972.579**	**19.124.899**	**19.069.565**
Total comprehensive income appropriated as follows:					
Equity holders of the parent		28.557.986	28.928.501	(2.363.033)	(2.505.514)
Non controlling interest		(63.343)	-	(87.147)	-
		28.494.643	28.928.501	(2.450.180)	(2.505.514)

The accompanying notes on pages 46 to 79 form part of these financial statements.

05 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER, 2010

Dolmabache Palace - Turkey

Built in the mid-19th century by Sultan Abdulmajeed I, Dolmabache Palace has survived intact with its original decorations, furniture, silk carpets, curtains and everything else. It is said that 14 tons of gold and 40 tons of silver were used in its decoration. The palace contains 285 rooms, 43 salons and six baths. Its walls and ceilings are covered with paintings by famous artists of that age and rare handmade art objects from Europe and the Far East decorate every room. The ballroom, the largest of its kind in the world, has a 4.5ton giant crystal chandelier with 750 bulbs hanging from the 120 feet high dome. Ibn Battuta travelled to Antalya in south-western Turkey and visited the country long before this palace was built, however, given his curiosity, it would have been on his itinerary if he'd been alive in the 19th century.

As one of the leading regional reinsurers, Trust Re has many interests in Turkey, in addition to other markets in the Afro-Asian and MENA as well as Russia, CEE and CIS countries where we provide reinsurance protection for all classes of non-life insurance on Treaty and Facultative basis.

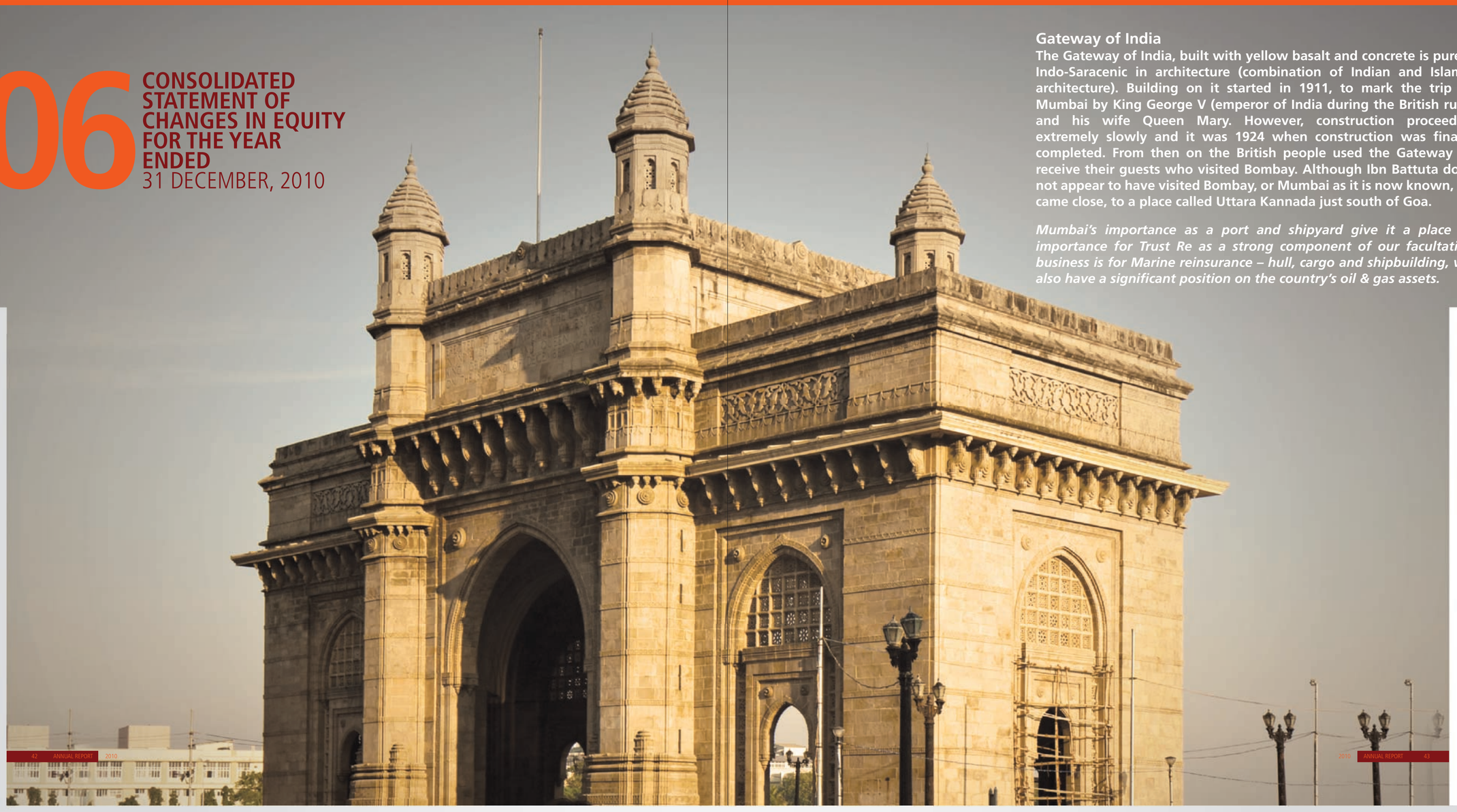
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER, 2010

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Cash flows from operating activities				
Net profit for the year before taxation	17.338.503	18.006.055	19.472.320	19.127.432
Adjustments for:				
Depreciation	1.032.669	948.098	958.154	942.742
Amortisation	229.814	-	251.624	-
Provision for bad debts less write offs	(838.553)	(838.553)	(360.459)	(360.459)
Provision for liability to the contractor	(530.000)	(530.000)	-	-
Profit on disposal of intangible asset	(186.116)	-	(39.486)	-
(Loss)/profit on disposal of investments	(202.457)	(202.457)	(287.744)	(287.744)
Exchange difference	(1.933.105)	-	(301.386)	-
Increase in reserve for unearned premium (net of deferred acquisition cost)	22.083.307	24.144.146	17.920.679	16.389.108
Increase in provision for outstanding claims and claims incurred but not reported (net)	16.585.585	32.862.884	35.687.631	30.030.873
Operating profit before working capital changes	53.579.647	74.390.173	73.301.333	65.841.952
Stock and work in progress	575.075	-	(247.270)	-
Accounts receivable and prepayments	(24.233.173)	(26.091.990)	(38.011.262)	(45.002.571)
Reinsurance balances receivable	6.281.952	(1.299.532)	(6.387.998)	1.053.276
Parent undertaking	2.670.871	2.670.871	(10.617.059)	(10.617.059)
Creditors and accruals	17.533.254	8.311.274	15.966.584	15.188.253
Deferred tax	(255.022)	-	299.354	-
Reinsurance balances payable	(2.459.525)	(1.208.045)	4.628.926	3.492.982

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Cash generated from operating activities	53.693.079	56.772.751	38.932.608	29.956.833
Directors' remuneration	(149.583)	(149.583)	(275.000)	(275.000)
Taxation and exchange difference	200.218	(33.476)	(429.337)	(55.994)
Net cash generated from operating activities	53.743.714	56.589.692	38.228.271	29.625.839
Cash flows from investing activities				
Purchase of property and equipment	(1.830.703)	(255.764)	(2.163.698)	(2.047.907)
Proceeds from disposal of intangible asset	228.042	-	251.296	-
Proceeds from realisation of investments	14.534.360	7.357.792	3.234.370	3.232.497
Acquisition of investments	(22.691.338)	(22.691.338)	(13.782.599)	(7.825.682)
Net cash used in investing activities	(9.759.639)	(15.589.310)	(12.460.631)	(6.641.092)
Cash flows from financing activities				
Bank loan	(297.607)	-	(135.968)	-
Cash dividend paid	(15.000.000)	(15.000.000)	(15.000.000)	(15.000.000)
Net cash used in financing activities	(15.297.607)	(15.000.000)	(15.135.968)	(15.000.000)
Net increase in cash and cash equivalents	28.686.468	26.000.382	10.631.672	7.984.747
Cash and cash equivalents at beginning of year	73.596.563	62.906.090	62.964.891	54.921.343
Cash and cash equivalents at end of year (note 17)	**102.283.031**	**88.906.472**	**73.596.563**	**62.906.090**

The accompanying notes on pages 46 to 79 form part of these financial statements.

06 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2010



Gateway of India

The Gateway of India, built with yellow basalt and concrete is purely Indo-Saracenic in architecture (combination of Indian and Islamic architecture). Building on it started in 1911, to mark the trip to Mumbai by King George V (emperor of India during the British rule) and his wife Queen Mary. However, construction proceeded extremely slowly and it was 1924 when construction was finally completed. From then on the British people used the Gateway to receive their guests who visited Bombay. Although Ibn Battuta does not appear to have visited Bombay, or Mumbai as it is now known, he came close, to a place called Uttara Kannada just south of Goa.

Mumbai's importance as a port and shipyard give it a place of importance for Trust Re as a strong component of our facultative business is for Marine reinsurance – hull, cargo and shipbuilding, we also have a significant position on the country's oil & gas assets.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2010

a. Group

	Share Capital US$	Retained Earnings US$	Investment Revaluation Reserve US$	Property Revaluation Reserve US$	Statutory Reserve US$	Exchange Difference Reserve US$	Total US$	Non Controlling Interest US$	Total US$
Balance 1.1.2009	100.000.000	47.002.183	37.219.049	8.153.431	18.088.131	573.269	211.036.063	211.116	211.247.179
Total comprehensive income for the year	-	18.937.046	(21.300.079)	-	-	-	(2.363.033)	(87.147)	(2.450.180)
Transfer to statutory reserve	-	(1.906.957)	-	-	1.906.957	-	-	-	-
Dividend paid	-	(15.000.000)	-	-	-	-	(15.000.000)	-	(15.000.000)
Exchange difference	-	150.082	-	-	-	(238.813)	(88.731)	2.508	(86.223)
Balance 1.1.2010	100.000.000	49.182.354	15.918.970	8.153.431	19.995.088	334.456	193.584.299	126.477	193.710.776
Total comprehensive income for the year	-	17.452.481	17.476.204	(6.370.699)	-	-	28.557.986	(63.346)	28.494.640
Transfer to statutory reserve	-	(1.797.258)	-	-	1.797.258	-	-	-	-
Dividend paid	-	(15.000.000)	-	-	-	-	(15.000.000)	-	(15.000.000)
Exchange difference	-	52.605	-	-	-	(1.654.334)	(1.601.729)	58.810	(1.542.919)
Balance 31.12.2010	100.000.000	49.890.182	33.395.174	1.782.732	21.792.346	(1.319.878)	205.540.556	121.941	205.662.497

The accompanying notes on pages 46 to 79 form part of these financial statements.

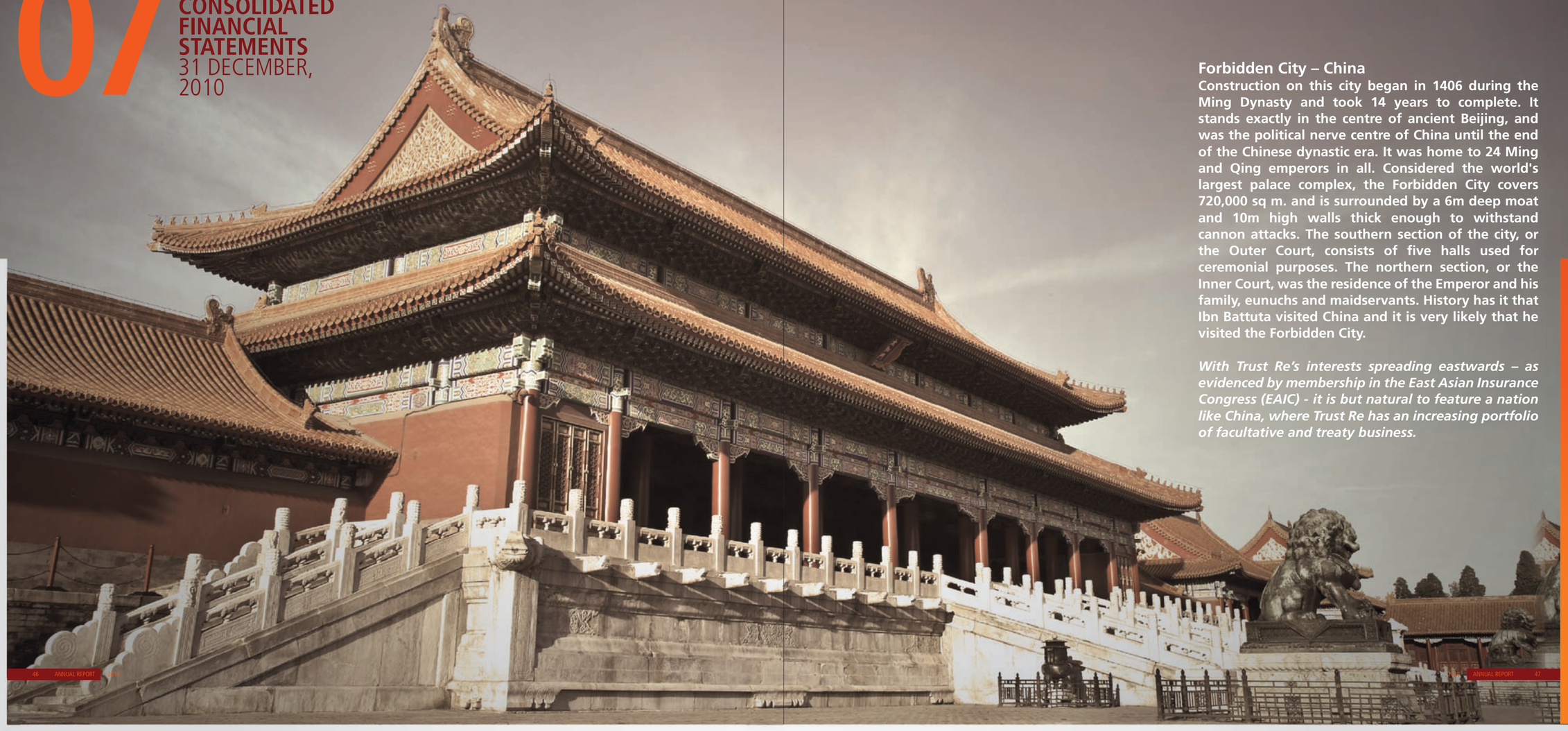
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2010

b. Company

	Share Capital US$	Retained Earnings (as restated) US$	Investments Revaluation Reserve US$	Property Revaluation Reserve US$	Statutory Reserve US$	Total US$
Balance as at 1.1.2009	100.000.000	47.500.431	36.025.050	8.153.431	18.088.131	209.767.043
Total comprehensive income for the year		18.794.565	(21.300.079)	-	-	(2.505.514)
Transfer to statutory reserve	-	(1.906.957)	-	-	1.906.957	-
Dividend paid	-	(15.000.000)	-	-	-	(15.000.000)
Balance as at 1.1.2010	100.000.000	49.388.039	14.724.971	8.153.431	19.995.088	192.261.529
Total comprehensive income for the year	-	17.822.996	17.476.204	(6.370.699)	-	28.928.501
Transfer to statutory reserve	-	(1.797.258)	-	-	1.797.258	-
Dividend paid	-	(15.000.000)	-	-	-	(15.000.000)
Balance as at 31.12.2010	100.000.000	50.413.777	32.201.175	1.782.732	21.792.346	206.190.030

The accompanying notes on pages 46 to 79 form part of these financial statements.

07 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER, 2010



Forbidden City – China

Construction on this city began in 1406 during the Ming Dynasty and took 14 years to complete. It stands exactly in the centre of ancient Beijing, and was the political nerve centre of China until the end of the Chinese dynastic era. It was home to 24 Ming and Qing emperors in all. Considered the world's largest palace complex, the Forbidden City covers 720,000 sq m. and is surrounded by a 6m deep moat and 10m high walls thick enough to withstand cannon attacks. The southern section of the city, or the Outer Court, consists of five halls used for ceremonial purposes. The northern section, or the Inner Court, was the residence of the Emperor and his family, eunuchs and maidservants. History has it that Ibn Battuta visited China and it is very likely that he visited the Forbidden City.

With Trust Re's interests spreading eastwards – as evidenced by membership in the East Asian Insurance Congress (EAIC) - it is but natural to feature a nation like China, where Trust Re has an increasing portfolio of facultative and treaty business.

1. General information

The Company is registered in the Kingdom of Bahrain with the purpose of carrying out insurance and reinsurance business. The Company has operating branches in Cyprus and Malaysia.

The Company in accordance with Commercial Company Laws 21/2001 and 17/1987 has changed its status from an Exempt Company (E.C) to a Closed Joint Stock Company (B.S.C.(c)).

The Group comprises the Company and its subsidiaries as stated in note 11(c).

2. Summary of significant accounting policies

The most important accounting policies used by the Company are explained below for the purpose of a better understanding and evaluation of the financial statements:

a) Statement of compliance

The financial statements have been prepared under the International Financial Reporting Standards.

b) Basis of preparation

The financial statements have been prepared under the historical cost convention except for properties (land and buildings and leasehold properties) and certain financial assets, which are stated at fair value.

United States Dollar is the functional currency of the Company.

c) Consolidation

The consolidated financial statements include the audited financial statements of the Company and its subsidiaries (except for Trust Underwriting Ltd, where we have used management accounts), prepared in accordance with International Financial Reporting Standards and/or applicable local laws and regulations. For this purpose a Subsidiary is considered to be a company in which the controlling interest is more than 50% of the voting power. A Subsidiary is excluded from consolidation when control is intended to be temporary because it is held exclusively for disposal in the near future.

An Associate is considered to be an entity in which the company controls more than 20% but less than 50% of the voting power and has significant influence on the Board of Directors.

Goodwill arising on the acquisition of a Subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Foreign exchange differences arising on translation of financial statements of subsidiaries, whose reporting currency is other than the US Dollars, are recognised directly in the statement of changes in equity as part of consolidation.

Lloyd's three year accounting cycle results are normally published annually at the end of each May. As a result of this, the audited financial statements of Trust Underwriting Ltd, the Lloyd's Corporate Capital subsidiary, can only be made available subsequent to the publication of the official Lloyd's results. For the purposes of consolidation we have relied on the 31 December, 2010 management accounts of that subsidiary, prepared by the UK company's external accountants using the most up-to-date quarterly syndicate results.

d) Revenue recognition

Revenues earned by the company are recognised on the following basis:

Premiums

Premium income is recognised when cover notes are issued and relate to contracts incepting in the financial year as well as adjustments arising in the current financial year for premiums receivable relating to business written in previous financial years. Included in this amount are estimates of pipeline premiums which are premiums written but not booked as at the balance sheet date. Pipeline premiums are recorded as accrued insurance premiums.

Commission income

Commission income is recognised when the right to recover payment is received.

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 in accordance with the substance of the relevant agreements.

e) Reinsurance

The Company enters into contracts with other reinsurers for minimizing its financial exposure from large claims.

Reinsurance premiums ceded and reinsurance recoveries on claims incurred are deducted from the gross premiums written and claims costs respectively.

This arrangement results in reinsurance assets and liabilities which include amounts recoverable from reinsurance companies for paid and unpaid losses, ceded unearned premiums and reinsurance balances payable.

Amounts due to reinsurers are estimated in a manner consistent to the relative reinsurance contract.

Amounts recoverable from reinsurers are calculated with reference to the claims liability associated with the reinsured risk. Ceded premiums are recognised in the revenue account over the period that coverage is provided.

The reinsurance programme consists of proportional and non proportional treaties. The accounting for premium due and claim recoveries is done periodically as normally done in proportional treaty accounting. The premium due for non proportional cover is booked on the due date. Claim recovery is accounted as and when the priority is exceeded, taking outstanding claims reserve, if any, into account.

f) Commissions paid

Commissions are recognised at the time policies are written.

g) Technical reserves

i) Outstanding claims reserve

The Outstanding Claims Reserve is made up of:

- Case Reserves
- Incurred But Not Reported (IBNR)
  - Pure Incurred But Not Reported (Pure IBNR)
  - Incurred But Not Enough Reported (IBNER)

Case reserves consist of the sum of reserves held for all outstanding cases, case by case, that are still outstanding.

The Incurred but Not Reported (IBNR) reserve is made up of the pure IBNR reserve and the reserve held for any excess over the case reserves and the estimated ultimate cost of all claims using various actuarial, statistical and individual assessment techniques. The pure IBNR element is made up of provisions for claims that were incurred but not reported (IBNR) by the valuation date using statistical methods that incorporate historical data analysis, quantitative and qualitative information and underwriters, management and actuarial valuation of reserves.

Any differences between the estimated cost and subsequent settlement of claims are included in the revenue account of the year of settlement. Subsequent re-estimations are dealt with in the same manner.

ii) Unearned Premium reserve

Unearned premiums are those proportions of the premiums accounted for in the financial year, but relate to periods of risks that extend beyond the end of the financial year. For Facultative business and Treaty Non Proportional business, these premiums are calculated for each insurance policy on prorata temporis basis using the 365ths method. For treaty proportional business the same approach is used, however we allow for 1 extra year from the expiry date of the policy i.e. 24ths basis.

h) Deferred acquisition costs

Policy acquisition costs which relate to periods of risk that extend beyond the end of the financial year are reported as deferred acquisition costs.

i) Claims paid

Claims paid represent amounts settled during the year arising either from events during the year or prior years and are charged to the revenue account as incurred net of any recoveries.

j) Liability adequacy test

At each balance sheet date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition costs, outstanding claims reserve and Incurred But Not Reported Reserves. In performing the test, current best estimates of future contractual cash flows, investment income from assets backing such liabilities and claims holding and administration expenses are used. Any inadequacy is immediately charged to the income statement by establishing a provision.

k) Salvage, subrogation and other recoveries from third parties

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, etc. and other recoveries from third parties.

l) 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 at 31 December, 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 a 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.

m) 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.

n) Property and equipment

Items of own use property and equipment are stated at cost less accumulated depreciation except for land and building, which are stated at fair value based on professional valuation by independent external valuers.

On revaluation, any increase in the carrying amount of the asset is carried in the Statement 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 general reserve upon sale of property and realization of profit.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost, other than land and properties, over the estimated useful lives, using the straight line method.

The expected useful life of assets is as follows:

	Years
Motor vehicle	4
Furniture, fittings and equipment	4
Computer hardware and software	3 – 4

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in the income statement.

o) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

p) Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) and a provision is taken in respect of the particular asset to the extent of the excess of its current amount as compared to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any impairment loss is charged immediately to the income statement.

q) 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.

r) Investments

Investments in subsidiaries are stated at cost unless there is an impairment in value. Any such impairment is recognised directly in the income statement.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in the income statement for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, is included in the income statement for the period. Impairment losses recognised in the income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement.

For publicly traded investments their fair value is based on quoted market prices as at the Balance Sheet date. Fair values of other investments are estimated realisable values. Where the fair value cannot be estimated the investment is carried at initial recognition cost.

For the fair value assessment of the property holding subsidiary, Ventura Del Mar SA Ltd, that subsidiary's stocks are professionally valued every two years by an independent firm of valuers in order to assess the fair market value of the subsidiary in the Company's investments.

s) Investments Fair Value Reserve

Investments fair value reserve represents the unrealized gains or losses on the year-end valuation of AFS investments. In the event of sale or impairment, the cumulative gains or losses recognised under investments fair value reserve are included in the income statement for the year.

t) Financial Instruments

Financial instruments comprise cash and cash equivalents, due to banks, investments, receivable, outstanding claims, payables and certain other assets and liabilities. Fair values of financial instruments are based on quoted prices for marketable instruments, or estimated fair values calculated by using methods such as net present values of future cash flows.

u) End of Service Benefits

The Company provides for end of service benefits determined in accordance with local legislation for expatriate employees at the Head-office and the branch respectively, based on expatriate employees' salaries at the time of leaving and number of years of service. Although the expected costs of these benefits are accrued over the period of employment, these are paid to employees only on completion of their term of employment with the Company.

v) Cash and cash equivalents

Bank and cash balances comprise of cash balances and bank deposits with maturity not more than one month which are convertible to known accounts and are subject to insignificant risk of changes in value.

w) Accounts receivables/reinsurance balances

These receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

x) Stocks

Stocks are valued at the lower of cost and net realisable value and include expenses incurred in respect of the transfer fees and the repairs and renovations of real estate by the group. Expenditure on maintaining the stock in its current condition during marketing of the real estate for sale is capitalised up until the stock has been sold.

y) Foreign currencies

Assets and liabilities expressed in foreign currencies are converted to United States Dollars at the exchange rates ruling at the balance sheet date. Transactions during the year other than in United States Dollars are converted at the rates of exchange ruling on the dates when they occur. Differences in exchange are included in the income statement.

z) Trade account payables

Trade account payables are measured at fair value.

aa) Contingent liabilities

Contingent liabilities are disclosed if their confirmation or loss is considered possible from future events.

ab) Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

ac) Dividend and Directors' fees

Dividends and directors' fees are recognised as a liability in the year in relation to which they are approved.

3. Investment income

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Dividends from investments	3.343.398	2.168.608	4.366.685	2.320.990
Other investment income/(expenses)	-	-	1.067	1.067
(Loss)/profit from sale of available for sale investment	202.457	202.457	287.744	287.744
Interest income on bonds	519.266	519.266	201.587	201.587
Revaluation of investment properties	(3.391.662)	(3.391.662)	-	-
	673.459	**(501.331)**	**4.857.083**	**2.811.388**

4. Other income

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Profit from disposal of property and equipment	5.836	5.836	-	-
Profit from disposal of intangible asset	-	-	39.486	-
Management fees	495.362	1.018.027	987.844	1.579.033
Miscellaneous income	753.308	753.308	359.332	359.332
	1.254.506	**1.777.171**	**1.386.662**	**1.938.365**

5. Income from investment property

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Rental income	231.949	231.949	461.821	461.821
Provision for liability to the contractor	(795.000)	(795.000)	-	-
Other income	109.146	109.146	81.645	81.645
(Loss)/profit from sharing of lease agreement	(26.347)	(26.347)	(72.496)	(72.496)
Investment property expenses	(358.452)	(358.452)	(332.854)	(332.854)
	(838.704)	**(838.704)**	**138.116**	**138.116**

6. Apportionment of overheads

The Group's overheads are apportioned as follows:

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Technical (underwriting)	16.721.397	14.395.972	10.842.004	10.882.195
Non-technical (general and administrative)	4.609.019	2.901.992	4.799.111	2.533.761
	21.330.416	17.297.964	15.641.115	13.415.956

7. Financial income/(expenses) – net

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Interest earned	2.234.468	2.221.887	1.807.883	1.775.990
Gain/(loss) on currency transactions	679.171	1.325.069	2.282.711	2.316.123
	2.913.639	3.546.956	4.090.594	4.092.113

The average interest earned during the year 2010 is 2.57% (2009: 2.57%).

8. Taxation

The Company's branch in Cyprus is subject to a taxation charge of 10% on its chargeable income for the year. A further 10% charge is levied on its interest earnings. The branch in Labuan, Malaysia elected not to pay any tax this and the previous year. Based on confirmation received from Spanish tax authorities and accepted by the UK tax authorities, the control and management of Ventura Del Mar SA Ltd, a company registered in the UK, is in Spain and therefore no tax liabilities will arise in the UK. The subsidiary has tax losses of approximately US$541.289 (€408.428) arising in Spain. The other subsidiaries in USA and Spain are also subject to local taxation.

The tax charge is analysed as follows:

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Corporation tax (including previous years)	44.187	20.597	27.706	51.514
Defence contribution	12.879	12.879	6.353	6.353
Deferred tax charge	(257.284)	-	260.868	-
Other taxes	-	-	52.494	-
	(200.218)	33.476	347.421	57.867

9. Property and equipment

a. Group

	Land and Building US$	Investment property under construction US$	Property held for future use as owner occupied property US$	Motor Vehicles US$	Computer hardware and software US$	Furniture and fixtures US$	Total US$
Cost							
At 1 January, 2009	20.545.797	1.190.024	13.220.785	387.676	1.060.353	3.957.285	40.361.920
Additions	1.045.996	357.277	126.035	-	261.439	372.951	2.163.698
Disposals / Write offs	-	-	-	(19.610)	-	-	(19.610)
Cost transferred to investment properties	(558.123)	-	-	-	-	-	(558.123)
Exchange difference	75.749	-	-	-	841	4.892	81.482
At 1 January, 2010	21.109.419	1.547.301	13.346.820	368.066	1.322.633	4.335.128	42.029.367
Additions	998.287	-	704	25.817	627.335	178.560	1.830.703
Disposals / Write offs	-	-	-	(18.020)	-	-	(18.020)
Fair value change	(1.629.726)	-	(4.210.974)	-	-	-	(5.840.700)
Exchange difference	(1.452.970)	-	-	-	(3.764)	(21.888)	(1.478.622)
At 31 December, 2010	19.025.010	1.547.301	9.136.550	375.863	1.946.204	4.491.800	36.522.728
Depreciation							
At 1 January, 2009	-	-	-	288.614	686.245	1.834.294	2.809.153
Charge for the year	-	-	-	28.959	253.955	675.240	958.154
Disposals/Write offs	-	-	-	(19.610)	-	-	(19.610)
Exchange difference	-	-	-	-	792	3.039	3.831
At 1 January, 2010	-	-	-	297.963	940.992	2.512.573	3.751.528
Charge for the year	-	-	-	32.158	271.617	728.894	1.032.669
Disposals / Write offs	-	-	-	(18.020)	-	-	(18.020)
Exchange difference	-	-	-	-	(3.645)	(14.507)	(18.152)
At 31 December, 2010	-	-	-	312.101	1.208.964	3.226.960	4.748.025
Carrying amount							
At 31 December, 2010	**19.025.010**	**1.547.301**	**9.136.550**	**63.762**	**737.240**	**1.264.840**	**31.774.703**
At 31 December, 2009	**21.109.419**	**1.547.301**	**13.346.820**	**70.103**	**381.641**	**1.822.555**	**38.277.839**

9. Property and equipment (cont'd)

b. Company

	Land and Building US$	Investment property under construction US$	Property held for future use as owner occupied property US$	Motor Vehicles US$	Computer hardware and software US$	Furniture and fixtures US$	Total US$
Cost							
At 1 January, 2009	15.476.000	1.190.024	13.220.785	344.653	1.004.040	3.570.213	34.805.715
Additions	930.205	357.277	126.035	-	261.439	372.951	2.047.907
Disposals / Write offs	-	-	-	(19.610)	-	-	(19.610)
Cost transferred to investment properties	(558.123)	-	-	-	-	-	(558.123)
At 1 January, 2010	15.848.082	1.547.301	13.346.820	325.043	1.265.479	3.943.164	36.275.889
Additions	-	-	704	25.817	139.530	89.713	255.764
Disposals / Write offs	-	-	-	(18.020)	-	-	(18.020)
Fair value change	(1.629.726)	-	(4.210.974)	-	-	-	(5.840.700)
At 31 December, 2010	14.218.356	1.547.301	9.136.550	332.840	1.405.009	4.032.877	30.672.933
Depreciation							
At 1 January, 2009	-	-	-	270.894	633.264	1.575.083	2.479.241
Charge for the year	-	-	-	28.959	252.386	661.397	942.742
Disposals / Write offs	-	-	-	(19.610)	-	-	(19.610)
At 1 January, 2010	-	-	-	280.243	885.650	2.236.480	3.402.373
Charge for the year	-	-	-	32.158	212.966	702.974	948.098
Disposals / Write offs	-	-	-	(18.020)	-	-	(18.020)
At 31 December, 2010	-	-	-	294.381	1.098.616	2.939.454	4.332.451
Carrying amount							
At 31 December, 2010	**14.218.356**	**1.547.301**	**9.136.550**	**38.459**	**306.394**	**1.093.423**	**26.340.482**
At 31 December, 2009	**15.848.082**	**1.547.301**	**13.346.820**	**44.800**	**379.829**	**1.706.684**	**32.873.516**

Notes:

a) The Company policy is to perform property valuations every two years. The valuation performed by independent professional valuers at the beginning of 2011, assessed the Bahrain building property at a market value of approximately US$35.55 million (BD13.4 million). In 2009 financials, the value was US$38.69 million (BD14.6 million). The property value has been adjusted to reflect this.

The building is used partly as owner occupied property, as well as investment property, earning rental income and property appreciation. For this reason part of its valuation has been transferred to investment properties (note 10b). The Company has used square metres as a basis of allocating the market value of the building into property and equipment and investment property. The split was determined by the area occupied by the self-occupied portion, which is 40% and the letable area, which is 60%.

b) Investment property under construction relates to property being constructed for future use as investment property. IAS 16 applies to such property until construction is complete, at which time the property becomes investment property.

c) Property held for future use as owner occupied property relates to property expected to be developed for own use as staff residences. External valuation performed by independent professional valuers at the end of 2010 assessed the value of this property at approximately US$9.14 million (BD3.44 million). In 2009 financials, the value was US$13.25 million (BD5 million). The property value has been adjusted to reflect this.

10. Intangible fixed assets

	Licence US$	Purchase of capacity (corporate Lloyd's of London) (Note) US$	Total US$
Cost			
At 1 January, 2009	19.903	2.542.414	2.562.317
Disposals	-	(305.771)	(305.771)
Exchange difference	297	259.955	260.252
At 1 January, 2010	20.200	2.496.598	2.516.798
Disposals	-	(127.330)	(127.330)
Exchange difference	(1.330)	(62.337)	(63.667)
At 31 December, 2010	18.870	2.306.931	2.325.801
Amortisation			
At 1 January, 2009	-	1.200.144	1.200.144
Charge for the year	-	251.624	251.624
Disposals	-	(93.961)	(93.961)
Exchange difference	-	122.740	122.740
At 1 January, 2010	-	1.480.547	1.480.547
Charge for the year	-	229.814	229.814
Disposals	-	(85.404)	(85.404)
Exchange difference	-	(36.973)	(36.973)
At 31 December, 2010	-	1.587.984	1.587.984
Net book value			
At 31 December, 2010	**18.870**	**718.947**	**737.817**
At 31 December, 2009	**20.200**	**1.016.051**	**1.036.251**

Note:

These costs have been incurred by the UK subsidiary in the Corporation of Lloyd's auctions acquiring rights to participate on various syndicates' capacities. These costs are included in intangible fixed assets and amortised over a 3 year period beginning in the third year after underwriting commences. Intangible fixed assets also include the cost of acquiring licence for operating the restaurant in Spain.

11. Investments

Analysed as follows:

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
a) Investment properties	22.647.412	22.647.412	26.027.475	26.027.475
b) Available-for-sale investments	160.505.682	115.752.433	131.289.980	79.960.322
c) Subsidiary companies	-	28.400.839	-	27.800.680
	183.153.094	166.800.684	157.317.455	133.788.477

a) Investment properties

	Land and Building US$	Leasehold Properties US$	Total US$
Cost			
At 1 January, 2009	23.214.000	1.547.132	24.761.132
Additions	708.220	-	708.220
Transfer from property and equipment	558.123	-	558.123
At 1 January, 2010	24.480.343	1.547.132	26.027.475
Additions	11.596	-	11.596
Fair value change through income statement	(3.164.403)	(227.256)	(3.391.659)
At 31 December, 2010	21.327.536	1.319.876	22.647.412
Net book value			
At 31 December, 2010	**21.327.536**	**1.319.876**	**22.647.412**
At 31 December, 2009	**24.480.343**	**1.547.132**	**26.027.475**

Note:

1) The Company's two leasehold properties are located in the United Kingdom. The duration of the first lease is for 125 years starting from 1984. The second lease was initially for 99 years starting from 1974, however the lease period was extended for another 90 years starting from the year 2073.

   The UK properties are valued every two years by an independent firm of professional valuers. The external valuation performed at the end of 2010 assessed the value of the UK properties at approximately US$1.32 million £850.000). In 2009 financials, the value was US$1.55 million (£775.000).

2) Building represents 60% of the fair value of the Company's property, which will be used for rental income and property appreciation, as valued by external Valuers. The allocation of 60% was estimated using square metres as the basis for calculation.

b) Available for sale

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Listed companies	132.700.923	87.947.674	104.054.951	52.725.293
Unlisted companies	17.359.107	17.359.107	16.756.228	16.756.228
Deposits with banks	10.445.652	10.445.652	10.478.801	10.478.801
	160.505.682	115.752.433	131.289.980	79.960.322

The above listed investments are stated at fair value and offer the Company the opportunity for return through dividend income and fair value gains. The unlisted investments are stated at cost and any impairment on them is recognised in the income statement. The value of available for sale investments by currencies in which they are denominated are as follows:

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Sterling investments held by Trust Underwriting Ltd	44.753.249	-	51.329.658	-
US Dollar	38.529.786	38.529.786	23.964.848	23.964.848
Sterling Pound	2.477.946	2.477.946	2.511.095	2.511.095
Bahraini Dinar	2.653.928	2.653.928	11.137.661	11.137.661
Omani Riyal	11.285.652	11.285.652	-	-
Jordanian Dinar	1.075.127	1.075.127	935.552	935.552
Lebanese Pound	330.762	330.762	330.762	330.762
Algerian Dinar	2.702.337	2.702.337	2.702.337	2.702.337
Qatari Riyal	56.696.895	56.696.895	38.378.067	38.378.067
	160.505.682	115.752.433	131.289.980	79.960.322

The Company has issued a guarantee on behalf of its Corporate Capital subsidiary for approximately US$10.42 million (£6.738.333) which is secured by among others, a company's bank deposit. This deposit is of a long term nature and the principal will not be used in the foreseeable future as it acts as the guarantee for the trading of the UK Corporate Capital subsidiary in Lloyd's Insurance Market.

Although the directors feel that any loss arising from this guarantee is unlikely, there is always the possibility that the Company will not substantially recover all of its initial investment.

Hence, this receivable is accounted from last year as an available for sale financial asset under IAS39.

c) Consolidated subsidiary companies

	Country of Incorporation or registration	Holding	Principal activity
Trust Underwriting Limited	U.K	100%	Corporate Member of Lloyd's
Texas International Underwriters,Inc	U.S.A.	100%	Insurance Agency
Aegean Properties Ltd	Guernsey	83,33%	Original holding company
Ventura Del Mar S.A.	Spain	83,33%	Original developer / Restaurant owner
Ventura Del Mar S.A. Limited	UK	100%	Property ownership
Ribera De Marbella S.L.	Spain	100%	Service company
Afro Asian Assistance B.S.C (c)	Bahrain	90%	Travel assistance

12. Stock and work in progress

Stock comprises of properties in the market for sale, stated at cost, plus any expenses incurred for permanent structure changes. The stock relates to the subsidiary Ventura Del Mar S.A Ltd and is analysed as follows:

	2010 US$	2009 US$
Fair market value per latest independent professional valuers	29.744.780	30.632.893
Cost	(8.955.275)	(9.530.350)
	20.789.505	21.102.543

The excess of the fair market value over cost (as adjusted by the exchange rates at the reporting dates) is included in the reporting goodwill in the consolidated financial statements.

13. Accounts receivable and prepayments

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Trade accounts	30.142.886	19.369.560	27.084.754	16.139.120
Less: Provision for doubtful debts	(1.772.717)	(1.772.717)	(1.173.016)	(1.173.016)
	28.370.169	17.596.843	25.911.738	14.966.104
Inward Pipeline Premium Provision	97.873.079	97.873.079	90.746.916	90.746.916
Inward Treaty Premium Reserve and Loss deposit	26.632.024	26.632.024	19.342.657	19.342.657
Related companies	11.331.625	32.075.809	6.531.466	23.428.522
Other debtors and prepayments	17.062.176	11.808.744	15.102.824	12.010.011
	181.269.073	185.986.499	157.635.601	160.494.210

The directors consider that the carrying amount of trade and other receivables approximate their fair value. No interest is charged on these receivables.

14. Reinsurance balances receivable

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Reinsurance balances receivable	16.694.534	10.438.303	22.976.486	9.138.771
Less: Provision for doubtful debts	(658.791)	(658.791)	(2.097.045)	(2.097.045)
	16.035.743	9.779.512	20.879.441	7.041.726

15. Provision for doubtful debts

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Opening balance	3.270.061	3.270.061	3.630.520	3.630.520
Increase in provision	250.000	250.000	250.000	250.000
Release due to write offs	(1.088.553)	(1.088.553)	(610.459)	(610.459)
Closing balance	2.431.508	2.431.508	3.270.061	3.270.061

Release due to the write offs includes a lump sum release of US$1.2 million. This has been done after a thorough review of the available provision against the required provision on all types of receivables.

16. Parent Undertaking

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Amount receivable from ultimate holding company	15.021.177	15.021.177	17.692.048	17.692.048

The amount carries no interest.

The ultimate holding company is Nest Investments (Holdings) Ltd, a company incorporated in Jersey, Channel Islands. The ultimate beneficial majority shareholder is Mr. Ghazi K. Abunahl.

Approximately US$3.09 million (£2 million) of the ultimate holding company's and its subsidiaries' assets are used as security for the UK subsidiary's guarantee facilities to Lloyd's (note 30).

17. Cash and cash equivalents

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Cash in hand	13.456	13.256	20.653	20.453
Cash at bank	101.871.697	88.495.338	73.178.032	62.487.759
Statutory deposits (note b)	397.878	397.878	397.878	397.878
	102.283.031	88.906.472	73.596.563	62.906.090

Note:

a) The carrying amount of these assets approximates their fair value.

b) Statutory deposit and blocked amounts with local Monetary Agencies.

18. Share capital

	2010 Group US$	2009 Company US$
Authorised, issued and fully paid 1.000.000 shares of US$100 each	100.000.000	100.000.000

19. Reserves

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Retained earnings	49.890.182	50.413.777	49.182.354	49.388.039
Investment revaluation reserve	33.395.174	32.201.175	15.918.970	14.724.971
Property revaluation reserve	1.782.732	1.782.732	8.153.431	8.153.431
Statutory reserve	21.792.346	21.792.346	19.995.088	19.995.088
Exchange difference reserve	(1.319.878)	-	334.456	-
	105.540.556	106.190.030	93.584.299	92.261.529

The Bahrain Commercial Companies Law No. 21 of 2001 requires that 10% of the net profit of each year should be transferred to the Statutory Reserve until the amount of this reserve becomes 50% of the issued and fully paid share capital of the company.

20. Profit appropriations

The directors propose a dividend of US$15 per share amounting to US$15 million. These and other appropriations mentioned below are subject to the shareholders' approval at the Company's next Annual General Meeting.

	2010 US$	2009 US$
Proposed cash dividend	15.000.000	15.000.000
Directors' fees	168.750	137.500
	15.168.750	15.137.500

21. Technical Reserves

a) Gross technical reserves

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Unearned premium reserve	165.247.588	145.273.922	128.657.551	104.766.033
Outstanding claims reserve	231.241.117	186.829.484	232.898.642	169.729.926
IBNR	52.468.894	52.468.894	43.174.316	43.174.316
	448.957.599	384.572.300	404.730.509	317.670.275

b) Reinsurers' share of technical reserves

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Unearned premium reserve	68.885.369	66.096.540	56.318.566	52.644.540
Outstanding claims reserve	126.243.837	118.212.755	131.216.070	120.705.203
IBNR	22.854.564	22.854.564	26.830.863	26.830.863
	217.983.770	207.163.859	214.365.499	200.180.606

c) Net technical reserves

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Unearned premium reserve	96.362.219	79.177.382	72.338.985	52.121.493
Outstanding claims reserve	104.997.280	68.616.729	101.682.572	49.024.723
IBNR	29.614.330	29.614.330	16.343.453	16.343.453
	230.973.829	177.408.441	190.365.010	117.489.669

During the year, the Company appointed a qualified actuary, registered with the Central Bank of Bahrain. The above figures have been certified by the Company's actuary and have been peer reviewed by an international firm of independent actuaries relating to the adequacy of the technical provisions in excess of case reserves. Every 3 years the Company will go for a full review of the reserves by an international independent actuarial firm. The next one is due for December 2011 reserves.

22. Bank loan

The bank loan relates to the Spanish branch of the UK subsidiary. The loan carries interest at varying rates and is payable over a fifteen year period from June 2003. The loan is secured by some of the property stocks of the company.

23. Creditors and accruals

	2010 Group US$	2010 Company US$	2009 Group US$	2009 Company US$
Trade accounts payable	22.519.653	18.299.143	24.844.582	20.508.053
Outward Pipeline Premium Provision	39.324.322	39.324.322	39.352.018	39.352.018
Outward Treaty Premium Reserves and Loss Deposit	36.118.375	36.118.375	32.288.696	32.288.696
Related companies	3.124.803	4.990.384	264.089	238.620
Other accounts payable and accruals	23.633.755	9.191.789	10.438.269	7.225.352
	124.720.908	107.924.013	107.187.654	99.612.739

The directors consider that the carrying amount of creditors and accruals approximate their fair value.

24. Deferred taxation

The movement in deferred taxation account is as follows:

Deferred tax asset

	Tax losses carried forward US$	Total US$
At 1 January, 2010	179.357	179.357
Released during the year	170.787	170.787
Exchange difference	(17.628)	(17.628)
At 31 December, 2010	332.516	332.516

Deferred tax liability

	Tax losses carried forward US$	Underwriting profits not subject to taxation US$	Overseas tax incurred US$	Claims equalisation US$	Total US$
At 1 January, 2009	(466.704)	921.843	(274.532)	-	180.607
Released during the year	490.540	(239.955)	188.320	-	438.905
Exchange difference	(23.836)	82.551	(18.909)	-	39.806
At 1 January, 2010	-	764.439	(105.121)	-	659.318
Released during the year	-	(289.377)	103.798	99.082	(86.497)
Exchange difference	-	(15.433)	1.323	(1.256)	(15.366)
At 31 December, 2010	-	459.629	-	97.826	557.455

25. Analysis of revenue by primary business segment – Group

	Year ended 31 December, 2010			
	Facultative US$	Treaty US$	Trust Underwriting Limited US$	Total US$
INSURANCE REVENUE				
Gross written premium	125.432.329	135.039.406	44.209.545	304.681.280
Outward reinsurance premium	(42.401.846)	(59.922.156)	(10.338.784)	(112.662.786)
	83.030.483	75.117.250	33.870.761	192.018.494
Change in unearned premium	(12.040.657)	(15.015.235)	633.789	(26.422.103)
Net earned premium	70.989.826	60.102.015	34.504.550	165.596.391
CLAIMS AND EXPENSES				
Gross claims paid	(62.357.204)	(68.818.072)	(34.223.041)	(165.398.317)
Claims recovered from reinsurers	43.507.746	39.953.101	3.848.343	87.309.190
IBNR movement – Gross	(1.305.246)	(7.989.332)	-	(9.294.578)
IBNR movement – Reinsurance	(5.711.986)	1.735.687	-	(3.976.299)
Change in provision for outstanding claims – Gross	(2.181.728)	(14.899.298)	15.089.843	(1.991.183)
Change in provision for outstanding claims – Reinsurance	(7.217.773)	4.706.793	(3.499.208)	(6.010.188)
Claims and related expenses	(35.266.191)	(45.311.121)	(18.784.063)	(99.361.375)
Commissions and taxes paid	(24.101.869)	(26.715.011)	(14.699.819)	(65.516.699)
Commissions and taxes received from reinsurers	10.572.118	20.555.513	-	31.127.631
Interest on premium reserve	-	249.041	-	249.041
Interest on premium reserve – Reinsurance	(93.617)	(247.096)	-	(340.713)
Change in deferred acquisition cost – Gross	1.695.470	2.801.250	-	4.496.720
Change in deferred acquisition cost – Reinsurance	(1.341.375)	(243.602)	-	(1.584.977)
Deferred acquisition costs, commissions and taxes	(13.269.273)	(3.599.905)	(14.699.819)	(31.568.997)
Gross underwriting profit	22.454.362	11.190.989	1.020.668	34.666.019
Technical expenses	(7.497.745)	(9.223.652)	-	(16.721.397)
Net underwriting profit	14.956.617	1.967.338	1.020.668	17.944.622

25. Analysis of revenue by primary business segment (cont'd) – Company

	Year ended 31 December, 2010			
	Facultative US$	Treaty US$	TUL quota share US$	Total US$
INSURANCE REVENUE				
Gross written premium	125.432.329	123.797.289	52.637.270	301.866.888
Outward reinsurance premium	(42.401.846)	(60.899.254)	(8.574.843)	(111.875.943)
	83.030.483	62.898.032	44.062.427	189.990.945
Change in unearned premium	(12.040.657)	(15.015.235)	-	(27.055.892)
Net earned premium	70.989.826	47.882.800	44.062.427	162.935.053
CLAIMS AND EXPENSES				
Gross claims paid	(62.357.204)	(51.121.587)	(43.757.053)	(157.235.844)
Claims recovered from reinsurers	43.507.746	32.072.019	10.817.161	86.396.926
IBNR movement – Gross	(1.305.246)	(7.989.332)	-	(9.294.578)
IBNR movement - Reinsurance	(5.711.986)	1.735.687	-	(3.976.299)
Change in provision for outstanding claims – Gross	(2.181.728)	(14.899.298)	-	(17.081.026)
Change in provision for outstanding claims – Reinsurance	(7.217.773)	4.706.793	-	(2.510.980)
Claims and related expenses	(35.266.191)	(35.495.718)	(32.939.892)	(103.701.801)
Commissions and taxes paid	(24.101.869)	(31.663.008)	(6.096.150)	(61.861.027)
Commissions and taxes received from reinsurers	10.572.118	20.555.513	-	31.127.631
Interest on premium reserve	-	249.041	-	249.041
Interest on premium reserve – Reinsurance	(93.617)	(247.096)	-	(340.713)
Change in deferred acquisition cost – Gross	1.695.470	2.801.250	-	4.496.720
Change in deferred acquisition cost – Reinsurance	(1.341.375)	(243.602)	-	(1.584.977)
Deferred acquisition costs, commissions and taxes	(13.269.273)	(8.547.902)	(6.096.150)	(27.913.325)
Gross underwriting profit	22.454.362	3.839.180	5.026.385	31.319.927
Technical expenses	(7.497.745)	(5.976.592)	(921.635)	(14.395.972)
Net underwriting profit	14.956.617	(2.137.412)	4.104.750	16.923.955

25. Analysis of revenue by primary business segment (cont'd) – Group

	Year ended 31 December, 2009			
	Facultative US$	Treaty US$	Trust Underwriting Limited US$	Total US$
INSURANCE REVENUE				
Gross written premium	112.421.782	101.859.083	47.872.607	262.153.472
Outward reinsurance premium	(50.373.577)	(53.602.981)	(14.347.203)	(118.323.761)
	62.048.205	48.256.102	33.525.404	143.829.711
Change in unearned premium	(14.537.896)	(8.522.541)	944.634	(22.115.803)
Net earned premium	47.510.309	39.733.561	34.470.038	121.713.908
CLAIMS AND EXPENSES				
Gross claims paid	(29.023.647)	(40.716.853)	(36.540.033)	(106.280.533)
Claims recovered from reinsurers	18.126.778	28.469.437	3.423.160	50.019.375
IBNR movement – Gross	(13.914.943)	(8.667.895)	-	(22.582.838)
IBNR movement – Reinsurance	9.370.287	3.419.098	-	12.789.385
Change in provision for outstanding claims – Gross	(20.240.584)	(14.306.320)	8.111.401	(26.435.503)
Change in provision for outstanding claims – Reinsurance	8.238.915	6.070.568	1.854.338	16.163.821
Claims and related expenses	(27.443.194)	(25.731.965)	(23.151.134)	(76.326.293)
Commissions and taxes paid	(21.273.299)	(31.124.637)	(10.201.139)	(62.599.075)
Commissions and taxes received from reinsurers	11.845.174	23.411.357	-	35.256.531
Interest on premium reserve	(4.918)	461.447	-	456.529
Interest on premium reserve – Reinsurance	(113.676)	(418.273)	-	(531.949)
Change in deferred acquisition cost – Gross	5.209.565	6.631.026	-	11.840.591
Change in deferred acquisition cost – Reinsurance	(809.047)	(4.360.215)	-	(5.169.262)
Deferred acquisition costs, commissions and taxes	(5.146.201)	(5.399.295)	(10.201.139)	(20.746.635)
Gross underwriting profit	14.920.914	8.602.301	1.117.765	24.640.980
Technical expenses	(5.963.102)	(4.878.902)	-	(10.842.004)
Net underwriting profit	8.957.812	3.723.399	1.117.765	13.798.976

25. Analysis of revenue by primary business segment (cont'd) – Company

	Year ended 31 December, 2009			
	Facultative US$	Treaty US$	TUL quota share US$	Total US$
INSURANCE REVENUE				
Gross written premium	112.421.782	101.859.083	45.085.078	259.365.943
Outward reinsurance premium	(50.373.577)	(59.404.108)	(8.358.956)	(118.136.641)
	62.048.205	42.454.975	36.726.122	141.229.302
Change in unearned premium	(14.537.896)	(8.522.541)	-	(23.060.437)
Net earned premium	47.510.309	33.932.434	36.726.122	118.168.865
CLAIMS AND EXPENSES				
Gross claims paid	(29.023.647)	(40.716.853)	(30.144.475)	(99.884.975)
Claims recovered from reinsurers	18.126.778	28.469.437	5.642.736	52.238.951
IBNR movement – Gross	(13.914.943)	(8.667.895)	-	(22.582.838)
IBNR movement – Reinsurance	9.370.287	3.419.098	-	12.789.385
Change in provision for outstanding claims – Gross	(20.240.584)	(14.306.320)	-	(34.546.904)
Change in provision for outstanding claims – Reinsurance	8.238.915	6.070.568	-	14.309.483
Claims and related expenses	(27.443.194)	(25.731.965)	(24.501.739)	(77.676.898)
Commissions and taxes paid	(21.273.299)	(31.124.637)	(7.769.094)	(60.167.030)
Commissions and taxes received from reinsurers	11.845.174	23.411.357	-	35.256.531
Interest on premium reserve	(4.918)	461.447	-	456.529
Interest on premium reserve – Reinsurance	(113.676)	(418.273)	-	(531.949)
Change in deferred acquisition cost – Gross	5.209.565	6.631.026	-	11.840.591
Change in deferred acquisition cost – Reinsurance	(809.047)	(4.360.215)	-	(5.169.262)
Deferred acquisition costs, commissions and taxes	(5.146.201)	(5.399.295)	(7.769.094)	(18.314.590)
Gross underwriting profit	14.920.914	2.801.174	4.455.289	22.177.377
Technical income	-	-	1.386.029	1.386.029
Technical expenses	(5.963.102)	(4.878.902)	(40.191)	(10.882.195)
Net underwriting profit	8.957.812	(2.077.728)	5.801.127	12.681.211

26. Movements in insurance liabilities and assets - Company

	Year ended 31 December, 2010		
	Gross US$	Reinsurance US$	Net US$
Claims			
Claims outstanding	169.729.926	120.705.203	49.024.723
IBNR	43.174.316	26.830.863	16.343.453
Total at beginning of year	212.904.242	147.536.066	65.368.176
Increase in provision for the year	183.629.980	79.928.179	103.701.801
Claims settled during the year	(157.235.844)	(86.396.926)	(70.838.918)
Balance at end of year	239.298.378	141.067.319	98.231.059
Unearned premium			
At beginning of year	104.766.033	52.644.540	52.121.493
Increase/(decrease) in provision during the year	40.507.889	13.452.000	27.055.889
Balance at end of year	145.273.922	66.096.540	79.177.382
Deferred acquisition cost			
At beginning of year	29.275.068	18.838.448	10.436.620
Increase/(decrease) during the year	4.496.720	1.584.977	2.911.743
Balance at end of year	33.771.788	20.423.425	13.348.363

	Year ended 31 December, 2009		
	Gross US$	Reinsurance US$	Net US$
Claims			
Claims outstanding	135.176.153	106.388.850	28.787.303
IBNR	20.585.666	14.035.666	6.550.000
Total at beginning of year	155.761.819	120.424.516	35.337.303
Increase in provision for the year	157.027.398	79.350.498	77.676.900
Claims settled during the year	(99.884.975)	(52.238.951)	(47.646.024)
Balance at end of year	212.904.242	147.536.063	65.368.179
Unearned premium			
At beginning of year	63.387.186	34.326.135	29.061.051
Increase/(decrease) in provision during the year	41.378.847	18.318.405	23.060.442
Balance at end of year	104.766.033	52.644.540	52.121.493
Deferred acquisition cost			
At beginning of year	17.434.475	13.669.186	3.765.289
Increase/(decrease) during the year	11.840.593	5.169.262	6.671.331
Balance at end of year	29.275.068	18.838.448	10.436.620

27. Analysis of premiums by secondary business segment – Geographical location of the risk insurance – Group

Gross premiums from:

	Year ended 31 December, 2010			
	Facultative US$	Treaty US$	Trust Underwriting Limited US$	Total US$
- Trust Underwriting Ltd	-	-	44.209.545	44.209.545
- Quota share with Trust Underwriting Ltd	-	11.242.117	-	11.242.117
- Arab region	43.827.935	34.094.097	-	77.922.032
- Asia	25.845.383	45.330.761	-	71.176.144
- Far and South East Asia	39.160.020	37.759.288	-	76.919.308
- Africa	16.598.991	6.613.143	-	23.212.134
	125.432.329	135.039.406	44.209.545	304.681.280

Gross premiums from:

	Year ended 31 December, 2009			
	Facultative US$	Treaty US$	Trust Underwriting Limited US$	Total US$
- Trust Underwriting Ltd	-	-	47.872.607	47.872.607
- Arab region	42.720.277	30.557.725	-	73.278.002
- Asia	28.105.446	42.780.815	-	70.886.261
- Far and South East Asia	30.353.881	27.501.952	-	57.855.833
- Africa	11.242.178	1.018.591	-	12.260.769
	112.421.782	101.859.083	47.872.607	262.153.472

27. Analysis of premiums by secondary business segment – Geographical location of the risk insurance – Company:

	Year ended 31 December, 2010		
	Facultative US$	Treaty US$	Total US$
Gross premium from:			
- Arab region	43.827.934	34.094.098	77.922.032
- Asia	25.845.383	45.330.761	71.176.144
- Far and South East Asia	39.160.020	37.759.288	76.919.308
- Africa	16.598.991	6.613.143	23.212.134
- Quota share with Trust Underwriting	-	52.637.270	52.637.270
	125.432.328	176.434.559	301.866.888

	Year ended 31 December, 2009		
	Facultative US$	Treaty US$	Total US$
Gross premium from:			
- Arab region	42.720.277	30.557.725	73.278.002
- Asia	28.105.446	42.780.815	70.886.261
- Far and South East Asia	30.353.881	27.501.952	57.855.833
- Africa	11.242.178	1.018.591	12.260.769
- Quota share with Trust Underwriting	-	45.085.078	45.085.078
	112.421.782	146.944.161	259.365.943

28. Related party transactions - Company

These represent transactions with related parties (i.e. holding company, companies related to the holding company and other related parties) in which the Company enters during its normal course of business.

These transactions are approved by the directors who consider these to be at normal arm's length terms with third parties.

The balances with the related parties as at the balance sheet date are disclosed in notes 13 and 23 to the financial statements.

The Company entered into the following trading transactions with related parties during the year:

		Related companies US$
a) Written premiums	- 2010	5.767.135
	- 2009	2.895.388
b) Commissions	- 2010	761.444
	- 2009	312.929
c) Claims paid	- 2010	-
	- 2009	-
d) Dividend income	- 2010	23.595
	- 2009	23.595
e) Management fees	- 2010	495.949
	- 2009	591.189

29. Directors' remuneration

The remuneration and other benefits paid to one director of the company during the year was US$393.764 (2009: US$584.748).

30. Claims Development – Company:

	(US$ '000)					
Gross	**Underwriting year**					
	2006 / 07 US$	**2007 / 08 US$**	**2008 / 09 US$**	**2009 / 10 US$**	**2010 / 11 US$**	**Total US$**
At end of underwriting year	1.649	468	3.672	1.400	3.084	
- One year later	44.206	36.439	63.158	73.498		
- Two years later	68.776	77.499	107.420			
- Three years later	70.549	87.837				
- Four years later	69.368					
Current estimate of incurred claims	69.368	87.837	107.420	73.498	3.084	341.207
Cumulative payments to date	(57.320)	(60.584)	(59.897)	(24.386)	669	(201.518)
IBNR	1.146	3.538	13.428	26.274	7.794	52.180
Liability at end	13.194	30.791	60.951	75.386	11.547	191.869
Liability in respect of prior years						47.429
Total Liability included in the balance sheet						**239.298**

Net	**Underwriting year**					
	2006 / 07 US$	**2007 / 08 US$**	**2008 / 09 US$**	**2009 / 10 US$**	**2010 / 11 US$**	**Total US$**
At end of underwriting year	682	302	2.508	484	2.067	
- One year later	8.311	15.463	26.244	35.089		
- Two years later	15.002	33.611	46.140			
- Three years later	16.237	34.660				
- Four years later	16.007					
Current estimate of incurred claims	16.007	34.660	46.140	35.089	2.067	133.963
Cumulative payments to date	(13.305)	(25.368)	(26.648)	(5.346)	351	(70.316)
IBNR	336	1.455	5.410	17.419	4.899	29.519
Liability at end	3.038	10.747	24.902	47.162	7.317	93.166
Liability in respect of prior years						5.065
Total Liability included in the balance sheet						**98.231**

31. Contingent liabilities

The Company has issued a guarantee on behalf of a subsidiary for approximately US$11.30 million (£6.738.333) which is secured by the Company's bank balances and other securities provided by the ultimate holding company (note 14). The directors are satisfied that the prospect of any loss arising under this guarantee is unlikely.

The Company's management set up a provision of US$1,325,000. The management believes that, in the light of all known circumstances to date, the Company's liabilities will not exceed the stated amount.

In addition, the Company has issued another guarantee of approximately US$1.25 million (€875.000) during the year as a statutory requirement by the Superintendent of Insurance in Cyprus.

The subsidiaries did not have any contingent liabilities as at the year end.

32. Capital commitments

The group had no capital commitments as at 31 December, 2010.

33. Comparative figures

Certain comparative figures for the year ended 31 December, 2009 have been reclassified in order to be consistent with the current year's presentation.

34. Financial instruments and risk management

Financial instruments consist of financial assets and financial liabilities. Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets of the Company and subsidiaries include cash and cash equivalents, deposits, investments and receivables.

Financial liabilities of the Company and subsidiaries include payables to insurance and reinsurance companies and other creditors and accrued liabilities.

The risks involved with financial instruments and the approach to controlling such risks are explained below:

Reinsurance risk

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

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and consequently the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

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

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's reporting currency is the United States Dollar. The Company does not have significant exposure in other currencies, other than those recognised and disclosed in the Financial Statements.

Market risk

Market risk is the risk that the value of a financial instrument or property will fluctuate as a result of changes in market prices. The Company and group are exposed to market risk with respect to its investments in quoted securities, investment properties and stock.

The Company limits its market risk by maintaining a conservative investment portfolio and continuously monitoring the related stock and property markets values and the factors which affect their performance.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Company has time deposits that are subject to interest rate risk. Interest rate risk to the company is the risk of changes in market interest rates reducing the overall return on its interest bearing time deposits. The Company limits interest rate risk by continuously monitoring changes in interest rates in the currencies in which its time deposits are denominated. During the year the average effective interest rate on the time deposits, which were denominated in US Dollars was 4%.

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. The Company employs certain policies and procedures in order to maintain credit risk exposures within reasonable limits.

The Company monitors receivables on an ongoing basis and cedes its majority of business to reinsurers with satisfactory credit ratings.

The credit risk on liquid funds is limited, as the counter parties are well known banks, with high credit rating by international credit rating agencies.

The maximum exposure to credit risk for the company is represented by the carrying amount of each financial asset as disclosed in the financial statements.

Liquidity risk
Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and the management is confident that sufficient funds are available to meet any commitments as they may arise.

Concentration risk
The Company and subsidiaries are aware of the concentration risks attributed to various assets. Efforts are made through the ERM Process in order to minimize such risk.

In addition to the above, the Corporate Capital subsidiary also has the following risks:

Syndicate risk
The syndicate's 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 Lloyd's 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. However, supervision by Lloyd's and the Financial Services Authority provide additional controls over the syndicate's management of risks.

The Company 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 for the following year, of 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 Company 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.

Regulatory risk
The Company is subject to continuing approval by Lloyd's and the Financial Services Authority to be a member of Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. 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 Company is able to support.

35. Fair values
Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair value of assets and liabilities, approximate their carrying values at the balance sheet date, assuming the company will continue as a going concern without any intention or need to liquidate, undertake transactions on adverse terms or materially discontinue its operations.

36. Events after the reporting period
There were no events after the end of the reporting period, considered to have any material impact on the Company.

37. Approval of financial statements
The financial statements were approved by the Board of Directors and authorised for issue on 9 March, 2011.

TRUST RE

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