

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2015 (REVIEWED)**

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## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF TRUST INTERNATIONAL INSURANCE & REINSURANCE COMPANY B.S.C. (c) TRUST RE**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re ("Trust Re" or the "Company") and its subsidiaries (together the "Group") as of 30 June 2015, which comprise of the interim consolidated statement of financial position as at 30 June 2015 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended and explanatory notes. The Board of Directors of the Company is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 (IAS 34) *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

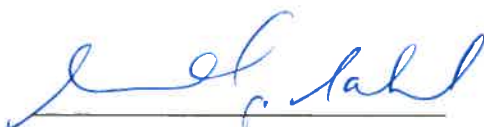
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



27 August 2015  
Manama, Kingdom of Bahrain

**Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
 At 30 June 2015 (Reviewed)

	<i>Note</i>	<i>Reviewed</i> <b>30 June 2015</b> <i>US\$ '000</i>	<i>Audited</i> <b>31 December 2014</b> <i>US\$ '000</i>
<b>ASSETS</b>			
Cash and bank balances	4	513,956	471,967
Available-for-sale investments		244,849	235,351
Insurance and other receivables		359,173	256,790
Gross deferred acquisition costs		66,518	48,605
Reinsurers' share of technical reserves		289,340	258,066
Investment properties		1,906	1,906
Property and equipment		12,249	12,150
Intangible assets		19	29
<b>TOTAL ASSETS</b>		<b>1,488,010</b>	<b>1,284,864</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	5	200,000	170,000
Statutory reserve		28,777	28,777
Retained earnings		125,301	93,072
Cumulative changes in fair value reserve		87,903	93,541
Foreign currency translation reserve		(71)	(203)
<b>Total equity</b>		<b>441,910</b>	<b>385,187</b>
<b>Liabilities</b>			
Technical reserves		842,824	724,123
Reinsurers' share of deferred acquisition costs		24,834	17,954
Reinsurance payables		26,382	31,850
Insurance and other payables		152,060	125,750
<b>Total liabilities</b>		<b>1,046,100</b>	<b>899,677</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,488,010</b>	<b>1,284,864</b>



Kamel Abunahl  
Chairman



Fadi Abunahl  
Director & Chief Executive Officer

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re  
**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
 Six-month period ended 30 June 2015 (Reviewed)

	Note	Six-month period ended 30 June	
		2015 US\$ '000	2014 US\$ '000
Gross premiums written		328,628	314,254
Premiums ceded		(105,986)	(89,198)
		<u>222,642</u>	<u>225,056</u>
Unearned premium adjustments		(64,817)	(76,516)
<b>Net earned premiums</b>		<u>157,825</u>	<u>148,540</u>
Gross claims paid		(105,650)	(114,024)
Recoveries on premiums ceded		29,475	43,625
Outstanding claims adjustments		(25,644)	(31,733)
<b>Claims and related expenses</b>		<u>(101,819)</u>	<u>(102,132)</u>
Commission income		19,154	15,110
Policy acquisition costs		(51,875)	(42,718)
Operating expenses		(12,074)	(11,770)
Other income (charges)		889	(98)
		<u>(43,906)</u>	<u>(39,476)</u>
<b>Underwriting profit</b>		<u>12,100</u>	<u>6,932</u>
Investment income - net	6	23,467	3,914
Income from investment properties		225	137
Gain on sale of subsidiaries		-	3,084
General and administration expenses		(5,804)	(5,970)
Finance income		2,996	2,974
Foreign exchange loss		(3,459)	(581)
Other income - net		3,052	1,297
<b>Profit before tax</b>		<u>32,577</u>	<u>11,787</u>
Income tax	7	(348)	(255)
<b>PROFIT FOR THE PERIOD</b>		<u><u>32,229</u></u>	<u><u>11,532</u></u>
<b>Attributable to:</b>			
Shareholders of the parent		32,229	11,535
Non-controlling interests		-	(3)
		<u><u>32,229</u></u>	<u><u>11,532</u></u>

Kamel Abunahl  
Chairman

Fadi Abunahl  
Director & Chief Executive Officer

**Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re**  
**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Six-month period ended 30 June 2015 (Reviewed)

	<i>Six-month period ended</i>	
	<i>30 June</i>	
	<b>2015</b>	<b>2014</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Profit for the period</b>	<b>32,229</b>	11,532
<b>Other comprehensive income (loss) to be reclassified to interim consolidated statement of income in subsequent periods:</b>		
Available-for-sale investments:		
Fair value changes arising during the period	11,892	5,933
Transferred to interim consolidated statement of income on disposal/ impairment	<b>(17,530)</b>	(235)
	<b>(5,638)</b>	5,698
Currency translation adjustments:		
Currency translation adjustments arising during the period	132	34
<b>Net other comprehensive income (loss) to be reclassified to interim consolidated statement of income in subsequent periods</b>	<b>(5,506)</b>	5,732
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>26,723</b>	17,264
<b>Attributable to:</b>		
Shareholders of the parent	26,723	17,267
Non-controlling interests	-	(3)
	<b>26,723</b>	17,264

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

Six-month period ended 30 June 2015 (Reviewed)

	Note	Six-month period ended 30 June	
		2015 US\$ '000	2014 US\$ '000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		32,577	11,787
Adjustments for:			
Depreciation		229	188
Amortisation of intangible assets		10	26
Provision for bad debts - net		750	450
Impairment loss on available-for-sale investments		63	342
Gain on sale of subsidiaries		-	(3,084)
Gain on disposal of available-for-sale investments		(17,530)	(235)
Change in unearned premium		90,476	95,216
Change in reinsurers' share of unearned premium		(24,680)	(18,406)
Deferred acquisition costs - net		(11,033)	(13,444)
Operating profit before changes in operating assets and liabilities		70,862	72,840
Changes in operating assets and liabilities:			
Outstanding claims		28,225	5,619
Reinsurers' share of outstanding claims		(6,594)	9,603
Insurance and other receivables		(103,133)	(98,401)
Due to/from parent - net		-	9,701
Insurance and other payables		26,310	36,079
Reinsurance payables		(5,468)	900
		10,202	36,341
Taxation		(348)	(255)
<b>Net cash from operating activities</b>		<b>9,854</b>	<b>36,086</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of available-for-sale investments		(49,955)	(11,260)
Proceeds from sale of available-for-sale investments		52,286	9,185
Proceeds from sale of subsidiaries		-	27,150
Purchase of property and equipment		(328)	(219)
Bank deposits with maturity of more than three months		49,119	(86,880)
<b>Net cash from (used in) investing activities</b>		<b>51,122</b>	<b>(62,024)</b>
<b>FINANCING ACTIVITY</b>			
Increase in paid up capital		30,000	-
Repayment of borrowings		-	(51)
<b>Net cash from (used in) financing activity</b>		<b>30,000</b>	<b>(51)</b>
Foreign currency translation adjustments		132	34
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>91,108</b>	<b>(25,955)</b>
Cash and cash equivalents at beginning of the period		410,866	364,257
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	4	<b>501,974</b>	<b>338,302</b>

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re  
 INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 June 2015 (Reviewed)

	Attributable to shareholders of the parent					
	Share capital US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Cumulative changes in fair value reserve US\$ '000	Foreign currency translation reserve US\$ '000	Total equity US\$ '000
Balance at 1 January 2015	170,000	28,777	93,072	93,541	(203)	385,187
Profit for the period	-	-	32,229	-	-	32,229
Other comprehensive (loss) income	-	-	-	(5,638)	132	(5,506)
Total comprehensive income (loss)	-	-	32,229	(5,638)	132	26,723
Increase in paid up capital (note 5)	30,000	-	-	-	-	30,000
<b>Balance at 30 June 2015</b>	<b>200,000</b>	<b>28,777</b>	<b>125,301</b>	<b>87,903</b>	<b>(71)</b>	<b>441,910</b>
Balance at 1 January 2014	140,000	27,558	78,877	54,590	(2,576)	298,449
Profit (loss) for the period	-	-	11,535	-	-	11,535
Other comprehensive income	-	-	-	5,698	34	5,732
Total comprehensive income (loss)	-	-	11,535	5,698	34	17,267
Disposal of subsidiaries	-	-	-	-	2,416	2,416
Balance at 30 June 2014	140,000	27,558	90,412	60,288	(126)	318,132
						Non - controlling interests US\$ '000
						(89)
						(3)
						92
						17,264
						2,508
						318,132
						298,360
						11,532
						5,732

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements



**Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

At 30 June 2015 (Reviewed)

**1 INCORPORATION AND ACTIVITIES**

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

The Company and its subsidiaries (together the "Group") mainly provide reinsurance and related products and services to direct clients, insurance companies and others through insurance and reinsurance brokers through its network of offices in London, Cyprus, Labuan and Morocco. Details of the Group's subsidiaries are further disclosed in note 2.

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

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 27 August 2015.

**2 BASIS OF PREPARATION**

The interim condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards [IFRS] and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2014. In addition, results for the six-month period ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

***Basis of consolidation***

These interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries after elimination of inter-company transactions and balances.

The following are the subsidiaries of the Group:

<b><i>Name of the subsidiary</i></b>	<b><i>Country of incorporation</i></b>	<b><i>Effective ownership</i></b>		<b><i>Principal activity</i></b>
		<b><i>2015</i></b>	<b><i>2014</i></b>	
Trust Underwriting Limited	United Kingdom	<b>100%</b>	100%	Corporate member of Lloyds of London
Texas International Underwriters Inc.	United States of America	<b>100%</b>	100%	Insurance agency
Ribera De Marbella S.L.	Spain	<b>100%</b>	100%	Service
Afro Asian Assistance B.S.C. (c)	Kingdom of Bahrain	<b>100%</b>	100%	Travel assistance
Trust International Insurance and Reinsurance Company, Société Anonyme	Morocco	<b>100%</b>	100%	Liason office

**Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED**  
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At 30 June 2015 (Reviewed)

### **3 ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015.

The nature and the impact of each new standard or amendment is described below:

#### **Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions***

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

#### **IFRS 2 *Share-based Payment***

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The Group does not currently have share based payment plan, and therefore, the above amendments are not relevant to the Group.

#### **IFRS 3 *Business Combinations***

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

#### **IFRS 8 *Operating Segments***

An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

#### **IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets***

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

**Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED**  
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At 30 June 2015 (Reviewed)

**3 ACCOUNTING POLICIES (continued)**

**IAS 24 Related Party Disclosures**

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from a management entity.

The following new standards and amendments have been issued by the IASB but are not yet mandatory for the year ending 31 December 2015:

**IFRS 3 Business Combinations**

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3; or
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

**IFRS 13 Fair Value Measurement**

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

**IAS 40 Investment Property**

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

Management is considering the implications of these standards and amendments, their impact on the Group's financial position and results and the timing of their adoption by the Group.

**4 CASH AND CASH EQUIVALENTS**

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise of the following:

	<i>Reviewed</i>	
	<i>30 June</i>	
	<b>2015</b>	<b>2014</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Cash and bank balances as per interim consolidated statement of financial position	<b>513,956</b>	451,952
Less: Statutory deposit	<b>(398)</b>	(398)
Less: Deposits with banks with maturity of more than three months	<b>(11,584)</b>	(113,252)
Cash and cash equivalents	<b>501,974</b>	338,302

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
 FINANCIAL STATEMENTS**

At 30 June 2015 (Reviewed)

**5 EQUITY AND RESERVES**

**Share capital**

<i>Reviewed</i>	<i>Audited</i>
<b>30 June</b>	<b>31 December</b>
<b>2015</b>	<b>2014</b>
<b>US\$ '000</b>	<b>US\$ '000</b>

**Authorised:**

2,000,000 shares of US\$100 each

<b>200,000</b>	<b>200,000</b>
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**Issued and fully paid up:**

2,000,000 shares of US\$100 each

(2014: 1,700,000 shares of US\$100 each)

<b>200,000</b>	<b>170,000</b>
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**Increase in share capital**

Following a resolution by the shareholders of the Company at an Extraordinary General Meeting held on 26 March 2015 and necessary regulatory approvals, the Company's issued and paid up share capital increased from US\$ 170,000 thousand to US\$ 200,000 thousand.

**6 INVESTMENT INCOME - NET**

Investment income included a gain on sale of available-for-sale investments to the Parent. Total consideration settled amounted to USD 23,300 thousand and gain amounted to USD 16,815 thousand (note 9). The sale of investment was duly authorised by the Central Bank of Bahrain.

**7 INCOME TAX**

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

The major components of income tax expense in the interim consolidated statement of income are:

	<i>Reviewed</i>	
	<b>30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Current income tax expense	<b>(170)</b>	<b>(152)</b>
Deferred income tax expense related to origination and reversal of deferred taxes	<b>(178)</b>	<b>(103)</b>
	<b>(348)</b>	<b>(255)</b>

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
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At 30 June 2015 (Reviewed)

**8 FINANCIAL INSTRUMENTS**

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by the Group as at 30 June 2015 and 31 December 2014:

	<i>Reviewed</i>			
	<i>At 30 June 2015</i>			
	<i>At fair value through income statement US\$ '000</i>	<i>Available- for-sale US\$ '000</i>	<i>Loans and receivables / amortised cost US\$ '000</i>	<i>Total US\$ '000</i>
Available-for-sale investments	-	244,849	-	244,849
Insurance and other receivables	-	-	106,061	106,061
Reinsurers' share of outstanding claims reserve - reported claims	-	-	148,533	148,533
Foreign exchange forward contracts	156	-	-	156
	<b>156</b>	<b>244,849</b>	<b>254,594</b>	<b>499,599</b>
Outstanding claims reserve - reported claims	-	-	409,456	409,456
Reinsurance payables	-	-	26,382	26,382
Insurance and other payables	-	-	40,831	40,831
	-	-	476,669	476,669
	<i>Audited</i>			
	<i>At 31 December 2014</i>			
	<i>At fair value through income statement US\$ '000</i>	<i>Available- for-sale US\$ '000</i>	<i>Loans and receivables / amortised cost US\$ '000</i>	<i>Total US\$ '000</i>
Available-for-sale investments	-	235,351	-	235,351
Insurance and other receivables	-	-	111,091	111,091
Reinsurers' share of outstanding claims reserve - reported claims	-	-	147,308	147,308
Foreign exchange forward contracts	353	-	-	353
	<b>353</b>	<b>235,351</b>	<b>258,399</b>	<b>494,103</b>
Outstanding claims reserve - reported claims	-	-	392,347	392,347
Reinsurance payables	-	-	31,850	31,850
Insurance and other payables	-	-	50,810	50,810
	-	-	475,007	475,007

**Available-for-sale financial investments**

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

**8 FINANCIAL INSTRUMENTS (continued)**

***Available-for-sale financial investments (continued)***

The Group identified an impairment of US\$ 63 thousand on quoted equity securities, which was reclassified from other comprehensive income to finance costs in the interim consolidated statement of income.

***Risk management activities***

As a result of its international activities, the Group is exposed to foreign currency risk on its operations. In order to reduce this risk, the Group regularly determines its net exposure to the primary currencies (USD, GBP and EUR). The Group then enters into foreign currency forward contracts to mitigate those exposures. The Group decided not to designate the foreign currency forward contracts as hedge accounting relationships. Consequently, all changes in the fair values of such foreign currency forward contracts are recognised in the interim consolidated statement of income. The six-month period ended 30 June 2015 experienced volatility in the euro exchange rates against the USD, resulting in gains on related foreign currency forward contracts recorded in interim consolidated statement of income.

***Fair value of financial instruments***

Except for investments of US\$ 8,931 thousand (2014: US\$ 8,905 thousand) carried at cost less impairment, the fair value of the Group and Company's financial instruments such as cash and bank balances, due from parent, outstanding claims reserve - reported claims (both gross and reinsurers' share), insurance and other receivables, reinsurance payables and insurance and other payables are not materially different from their carrying values largely due to the short term maturities of these instruments as shown in the interim consolidated statement of financial position.

***Fair value hierarchy***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Derivatives are valued using valuation techniques with market observable inputs consisting of foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities;

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

**Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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**8 FINANCIAL INSTRUMENTS (continued)**

*Fair value hierarchy (continued)*

	<i>Reviewed</i>		
	<i>At 30 June 2015</i>		
	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Investment properties	-	1,906	1,906
Property and equipment (Land and building only)	-	11,249	11,249
Available-for-sale investments			
<i>Equities</i>			
Financial services	183,624	-	183,624
Others	7,908	-	7,908
<i>Debts</i>			
Financial services	16,299	-	16,299
Government	7,959	-	7,959
Energy	5,460	-	5,460
Others	14,668	-	14,668
Derivative financial instruments	-	156	156
	<b>235,918</b>	<b>13,311</b>	<b>249,229</b>
	<i>Audited</i>		
	<i>At 31 December 2014</i>		
	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Investment properties	-	1,906	1,906
Property and equipment (Land and building only)	-	11,249	11,249
Available-for-sale investments			
<i>Equities</i>			
Financial services	148,715	-	148,715
Others	9,232	-	9,232
<i>Debts</i>			
Financial services	9,428	-	9,428
Government	4,576	-	4,576
Energy	5,407	-	5,407
Others	49,088	-	49,088
Derivative financial instruments	-	353	353
	<b>226,446</b>	<b>13,508</b>	<b>239,954</b>

Unquoted equities classified as available-for-sale amounted to US\$ 8,931 thousand (2014: US\$ 8,905 thousand) and are carried at cost due to their illiquid nature and accordingly are not included in the fair value measurement hierarchy table above.

Date of valuation was 30 June 2015 for current period and 31 December 2014 for the comparative period.

None of the Group's financial instruments carried at fair value at 30 June 2015 qualify under Level 3 of the fair value hierarchy.

During the period ended 30 June 2015, there were no transfers between Level 1 and Level 2 fair value hierarchies.

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**9 RELATED PARTY TRANSACTIONS**

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

Transactions with related parties included in the interim consolidated statement of income are as follows:

	<i>Reviewed</i> 30 June 2015		<i>Reviewed</i> 30 June 2014	
	<i>Shareholders</i> US\$ '000	<i>Entities related to shareholders</i> US\$ '000	<i>Shareholders</i> US\$ '000	<i>Entities related to shareholders</i> US\$ '000
Gross premiums written	-	3,605	-	3,465
Gross claims paid	-	1,259	-	298
Policy acquisition costs	-	978	-	493
Gain on sale of subsidiaries	-	-	3,084	-
Investment income - net (note 6)	16,815	-	-	-

Expenses included US\$ 3,500 thousand (2014: US\$ 3,500 thousand) in respect of building rent and US\$ 500 thousand (2014: US\$ 500 thousand) in respect of management fees paid to a shareholder.

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

	<i>Reviewed</i> 30 June 2015		<i>Audited</i> 31 December 2014	
	<i>Shareholders</i> US\$ '000	<i>Entities related to shareholders</i> US\$ '000	<i>Shareholders</i> US\$ '000	<i>Entities related to shareholders</i> US\$ '000
Insurance and other receivables	-	21,923	1,047	21,786
Insurance and other payables	757	347	-	369

***Loans to related parties***

The following table provides the interest received during the six months ended 30 June 2015 and 2014, as well as the loans outstanding from related parties as at 30 June 2015 and 31 December 2014:

	<i>Reviewed</i> 30 June 2015 US\$ '000	<i>Audited</i> 31 December 2014 US\$ '000
Amounts owed by related party*	2,897	3,852

\* This represents medium-term loan disbursed to Trust International Insurance Company (Cyprus) Limited on 1 April 2014 with an original maturity period of seven years. The loan carries a variable interest rate of 3 months EURIBOR plus 5% per annum and it is secured against property.



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**9 RELATED PARTY TRANSACTIONS (continued)**

*Loans to related parties (continued)*

	<i>Reviewed Six months ended 30 June</i>	
	<b>2015</b>	<b>2014</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Interest received	<b>83</b>	<b>63</b>

**Compensation of key management personnel**

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

	<i>Reviewed Six months ended 30 June</i>	
	<b>2015</b>	<b>2014</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Directors' remuneration	<b>120</b>	120
Salaries and benefits	<b>727</b>	571
End of service benefits	<b>42</b>	252
	<b>889</b>	<b>943</b>

**10 CONTINGENT LIABILITIES**

The Group has issued a guarantee of approximately US\$ 1.0 million (EUR 900 thousand) [(2014: US\$ 1.1 million (EUR 875 thousand))] as a statutory requirement by the Superintendent of Insurance in Cyprus in respect of its Cyprus branch.

**11 DERIVATIVES**

The Company entered into following derivatives:

	<i>Notional amounts by term to maturity</i>				
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount Total</i>	<i>Within 3 months</i>	<i>3 - 12 months</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>30 June 2015</b>					
<b>Derivatives*</b>					
Forward foreign exchange	<b>156</b>	-	<b>10,071</b>	-	<b>10,071</b>
<b>31 December 2014</b>					
<b>Derivatives*</b>					
Forward foreign exchange	353	-	24,329	-	<b>24,329</b>

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

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