

**TRUST INTERNATIONAL INSURANCE**

**COMPANY (CYPRUS) LIMITED**

**FINANCIAL STATEMENTS 31 DECEMBER, 2010**

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**

**FINANCIAL STATEMENTS 31 DECEMBER, 2010**

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR 2010**

**A MESSAGE FROM THE CHAIRMAN**

It gives me a great pleasure in reporting the results and achievements of Trust International Insurance Company (Cyprus) Ltd for the year 2010, together with our plans for the following years.

The global financial crisis continued to have a negative impact on the global economies; however the effect on the Insurance and Reinsurance market has been more moderate.

Our vision: "A trusted financially powerful organization that is able to satisfy all our clients' Insurance needs", is a very challenging and motivating one. It involves continuous efforts of self-improvement and vigilant managing of the company's resources to provide timely and excellent service of the highest professional standards.

The company has one license but two distinct operations. Local Direct Insurance in Cyprus and Reinsurance services to the Trust Group Direct Insurance companies overseas. Trust Group operates also in Jordan, Algeria, Bahrain, Lebanon, Libya, Spain, USA, Yemen, Malaysia, Palestine, Syria and UK.

**Reinsurance activities**

The Reinsurance activities are ceded to highly rated and credible reinsurers. The Company retains a small percentage of the risk and the remaining is ceded with highly rated reinsurers. This Reinsurance business has dropped by 23% during 2010 in comparison to 2009 and the main reason is that the Direct Insurance Companies of the Group retained more of the risk, thus ceded less with us.

**Local Insurance activities**

The Company had an excellent year as regards to expansion and market share. The growth for the year was 282% and its market share rose to 1,53%. 2010 was the first full year of operations, since the inception of the Cyprus operations in August 2009. These results are considered very satisfactory and a good indication that the company is in its way towards becoming one of the leading Insurance Companies in Cyprus.

**Future Outlook and Strategy**

The Company will continue its efforts towards increasing its market share; while creating a more balanced portfolio that will allow for better underwriting result and higher profitability. With the application of the Corporate Governance Practices, we intend to have a clear understanding of the Company's risk exposure and to be prepared for the upcoming changes in the way of evaluating our solvency position with the introduction of Solvency II. Trust Cyprus is a member of the Nest Group which is financially strong and not influenced significantly by the Global Financial crisis. Nest Group also provides high level corporate services, such as Actuarial and Risk Management, Human Resources, Information and Technology, Strategy and Planning all of which we use and we intend to continue benefiting from such unique expertise and support in order to achieve our goals and establish Trust Cyprus as a leading Insurance Company on the Island.

**Frixos Savvides**  
**Chairman**

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR 2010**

**A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER**

I would like to take the opportunity to inform you of the results and achievements of Trust Cyprus for the Year 2010 which was the first full year of our penetration to the Cyprus Insurance Market.

During this year we have managed to achieve:

- A market share of 1,53% of the total Non-Life Cyprus premiums, or 1.68% if the A&H class of business that the Company was not promoting until the last couple of months of the year is excluded
- Local Insurance Premium income in excess of €6 million
- A sizable Sales Network, that is comparable to those of the leading Insurance Companies.
- Establish 5 Company Branches in all major cities of Cyprus in order to increase our service times and quality.
- Establish procedures and investigation methods that enable us to pay the majority of the claims incurred during the year within the year at a very good speed of response.

This great beginning gives us the confidence to pursue our ambitious goals for the following years. We aim to acquire a market share close to 3% by the end of 2013. While pursuing higher market share, our concern is to keep expenses at the minimum level and develop such a portfolio split amongst profitable classes of business, that will allow us to expect higher profitability.

Trust Cyprus is a local Insurance Company that has access to the Nest Group corporate services and expertise. For the same reason the Company is securing reinsurance treaties, unique for the Cyprus Market, that allow for the development of innovative products and services that will further differentiate the Company in the years to come.

The Group Actuarial/Risk Management services are working with the Company towards the preparation for the Solvency II directive implementation in December 2012 with the aim not only to be ready but to be in a position to fully benefit from the opportunities that will be presented.

The Nest Group Information and Technology department provides Trust Cyprus with a state of the Art Technology IT infrastructure and an in-house developed General Insurance logistics system. Development is proceeding in accordance with the Company's strategy through the following years for better customer service and for a leading presence in the rapidly developing market.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR 2010**

Further, with the support of the Group HR services, we have implemented an internet base Performance Management System that provides valuable assistance and self-motivation to our staff, to pursue further development and higher quality results.

I am satisfied that we have made significant progress towards our ambitious goals and based on our continuous and collective efforts, I am positive that we are heading towards a greater future.

**Christos Christodoulou**  
**Chief Executive officer**

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR 2010**

**COMPANY'S RESULTS AND FINANCIAL POSITION**

The company's gross written premium in 2010 was US\$34.803.069 compared to US\$36.807.899 in 2009. The decrease is due to lower by 23% premium written by the Reinsurance operations of the Group whereas the Cyprus Direct operations showed a significant increase of 282% comparing to 2009. Net premium written in 2010 was US\$7.374.054 compared to US\$2.211.584 in 2009, which reflects the increase in premium retained from the Cyprus Direct operations.

Gross incurred claims decreased from US\$28.469.119 in 2009 to US\$10.850.605 in 2010 whereas Net incurred claims increased from US\$723.448 in 2009 to US\$2.969.295 in 2010. The increase is due to claims retained from the Cyprus Direct operations. The Gross Loss Ratio (Gross Incurred Claims to Gross Earned Premium) was 31% in 2010 comparing to 91% in 2009 and the Net Loss Ratio (Net Incurred Claims to Net Earned Premium) was 62% in 2010 comparing to 92% in 2009.

The net underwriting loss for the year was US\$3.015.903 comparing to US\$2.532.235 for 2009. The Gross Combined Ratio (Gross Claims and Commissions and Expenses) on Gross Earned Premium for the year is 45% comparing to 99% for 2009. If this ratio is calculated on Gross Written premium it is 45% for 2010 and 84% for 2009. The Net Combined Ratio (Net Claims and Commissions and Expenses) on Net Earned Premium for the year is 163% comparing to 421% for 2009.

The net profit for the year is US\$1.548.807 comparing to US\$127.679.582 for 2009. The main reason for the decrease in the profit is that in 2009 there was a profit of US\$126.290.926 from the sale of investments. The return on equity for 2010 is 9% and 902% for 2009 (10% if the one off profit from sale is excluded).

The Company's gross technical reserves stand at US\$44.616.140 as at 31 December 2010 comparing to US\$47.607.809 as at 31 December 2009. There has been a decrease in the technical reserves of the Reinsurance operations and a significant increase in the reserves of the Direct operations, especially in the unearned premium as result of the growing new business. The above changes in reserves are consistent with the changes in the growth of the two operations. The net technical reserves are US\$6.344.556 as at 31 December 2010 comparing to US\$2.976.772 as at 31 December 2009 due to the increase in the retained reserves for the Cyprus Direct operations. Included in the reserves is an Unexpired Risks Reserve of US\$597.648 (2009 US\$494.191) and an IBNR reserve of US\$172.628 (2009 US\$144.581) which were both revised as at 31 December 2010.

The Bank and Cash balances increased to US\$2.969.750 as at 31 December 2010 from US\$2.095.647 as at 31 December 2009.

The Shareholders equity increased to US\$17.877.098 as at 31 December 2010 from US\$14.157.552 as at 31 December 2009 mainly as a result of the net profit for the year of US\$1.548.807 and the appreciation in the value of investments of US\$2.322.833.

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR 2010**

**BOARD OF DIRECTORS**

**The company's 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, within a compliant framework of corporate governance and ethical principles.

During 2010 the Board of Directors held five meetings in Cyprus 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**

<b>Name</b>	<b>Position</b>	<b>Committee Role</b>
Frixos Savvides	Chairman	N&RC Committee -Member
Dimis Michaelides	Vice Chairman	N&RC Committee -Chairman
Mehran Eftekhari	Group Financial Director	Audit Committee – Chairman Risk Committee member
Kamel Abu Nahl	Director	N&RC Committee -Member
Fadi Abu Nahl	Director	Audit /Risk Committee - Member
Chris Georghiades	Director	Audit Committee - Member Risk Committee - Chairman

***New Board member:***

Mr. Stavros Stavrou was appointed as a new member of the Board of Directors as from 24/01/2011 and he is also assuming the role of the Chairman of the Audit Committee.

***Frixos Savvides – Chairman***

Mr. Frixos Savvides a Chartered Accountant is a Fellow of the Institute of Chartered Accountants of England and Wales. He was the founder of the audit firm PKF Savvides and Partners in Cyprus and held the position of Managing Partner until 1999 when he became Minister of Health of the Republic of Cyprus. He held this office until 2003. Mr. Savvides is currently a senior independent business consultant and holds several Board positions.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
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***Dimis Michaelides – Vice Chairman***

Mr. Dimis Michaelides is a business consultant, author and speaker and lectures at the Cyprus International Institute of Management. His 30 year career, includes the positions of CEO, at Cyprialife; Marketing and Sales Director, at Zeneca; Investment Officer, at World bank/IFC; Deputy Development Director at the Council of Europe Development Bank. He is now managing Performa Consulting a company dedicated to developing creativity and innovation in organizations. He is a graduate of the London Business School, the London School of Economics and the University of Sussex.

***Mehran Eftekhari – Group Financial Director***

Mr. Mehran Eftekhari qualified in 1978 as a Fellow member of the Institute of Chartered Accountants in England and Wales. His work experience includes Newman and Partner Chartered Accountants, Munfer Group of Companies as a Financial Controller, Pannel Kerr Forster as a Senior Partner and he is currently the Group Finance Director of Nest Group of Companies.

***Kamel Abu Nahl – Director***

Mr. Kamel Abu Nahl is a director in the BOD. His work experience include Trust International Insurance Co. as an Assistant Underwriter, Brockbank (Lloyds) Syndicate (London) as an Underwriter, Property Underwriter for Trust International Insurance Co. He has been in the position of a Deputy CEO for Trust International Insurance Co. (Cyprus) Limited and currently is the Chairman for Trust International Insurance & Reinsurance Company B.S.C (C) Trust Re.

***Fadi Abu Nahl – Director***

Mr. Fadi Abu Nahl is a director of the BOD. He is a BSc degree holder in Mathematics and Statistics degree by Middlesex University. His work experience includes Trust International Insurance & Reinsurance Company B.S.C (C) Trust Re. as a Manager of Strategic Business. He is currently the CEO of Trust International Insurance & Reinsurance Company B.S.C (C) Trust Re.

***Chris Georghiades – Director***

Mr. Chris Georghiades has extensive experience of corporate and commercial matters, particularly in relation to company and business acquisitions and sales of both public and private companies, joint ventures, shareholder disputes, corporate reorganizations, insolvency, banking and taxation. He also advises on construction law, sports law, aviation law and administrative law. He is an LLB graduate of Athens University and an LLM graduate of King's College of London.

***Stavros Stavrou***

Mr Stavros Stavrou, a Chartered Accountant, is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Chartered Institute of Internal Auditors. His work experience includes the position of Managing Director in Oilinvest (Netherlands) BV Group of Companies, a multinational Group operating in the oil industry. He is the Chairman and one of the founder shareholders of Oceanfleet Shipping Ltd, a ship management company operating in Athens. During his career he has served as a Director at a number of Companies, private and public.

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**DIRECTORS' REPORT**  
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**Board Committees**

The Board delegates certain responsibilities to committees. Any such committee must keep the Board apprised on a timely basis of actions and determinations.

The committees that have been successfully formed by the BOD, aim to provide support and effective control of the company, and are as follows:

***Audit Committee:***

- Mehran Eftekhari - Chairman
- Fadi Abu Nahl
- Chris Georgiades

Secretary: Loizos Hadjiloizos

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

***Nomination and Remuneration Committee:***

- Dimis Michaelides - Chairman
- Frixos Savvides
- Kamel Abu Nahl

Secretary: Mufid Sukkar

The N & RC 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.

***Risk Committee:***

- Chris Georgiades - Chairman
- Fadi Abu Nahl
- Mehran Eftekhari

Secretary: Socrates Koudounaris, Christos Patsalides

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.

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR 2010**

**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 is responsible for leading and ensuring the effectiveness of the Board and conduct of its meetings.

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

**Corporate Governance**

We have introduced the appropriate corporate governance practices from the very beginning following Corporate Governance Guidelines and have therefore established a Board of Directors and the relevant Board Committees which serve as a useful tool in the running of our business. Trust Cyprus follows those rules and regulations in order to direct and manage our business effectively, in compliance with all the relevant local and international business laws that apply.

The Board Committees comprise of a fully functioning Risk Committee, Audit Committee and Nomination and Remuneration Committee suitably staffed by non executive Directors having the appropriate background and experience and following their respective fully approved Charters of operation.

**Risk Management**

- Monitoring the overall level of risk assumed by Trust Cyprus, analyzing risk in both a quantitative and qualitative manner, reviewing application effectiveness, monitoring the progress of critical actions agreed by the business and providing assurance;
- Preparing and presenting regular risk and control reports to Trust Cyprus Executive Management, and Committees (Risk Committee, Audit Committee etc).
- Developing Trust's control environment (i.e. policy framework, delegations of authority) and assisting areas of the business to determine and implement specific risk controls.
- Train staff, senior management on all aspects of risk management application and development of a risk culture through raising awareness of risk across the organization.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR 2010**

**Internal Audit**

The Internal Audit services are provided by the Group Corporate Services.

During 2010 internal audits were performed on the following areas:

- Claims
- Underwriting
- HR
- IT

The outcome was brought to the BOD Audit Committee and recommendations were adopted and in most areas implemented, verified with audit follow ups.

The Finance Department audit was performed in February/ March 2011.

Internal audit is also providing valuable support in providing direction towards the preparation of manuals.

The plan is to have internal audits in all the above mentioned areas yearly.

**DIVIDEND**

The company did not pay any dividend during the year under review (2009: US\$126.290.926).

**AUDITORS**

A resolution will be put forward to the annual general meeting to appoint Ernst and Young as auditors for the next year.

**BY ORDER OF THE BOARD**

**Cyproservus Co. Limited**

**Secretary**

**Limassol, 19 April, 2011**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**

***Report on the Financial Statements***

We have audited the accompanying financial statements of Trust International Insurance Company (Cyprus) Limited (the "Company") on pages 12 to 32, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

***Board of Directors' Responsibility for the Financial Statements***

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

**Limassol office**

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Tel + 0357 25 868000	Fax + 357 25 587871	Email info@pkf.com.cy   www.pkf.com.cy

**Nicosia Office**

PKF / ATCO Limited	2 Limassol Avenue, Aluminium Tower, Floors 2 <sup>nd</sup> ,3 <sup>rd</sup> & 4 <sup>th</sup>	2003 Nicosia Cyprus
Tel + 0357 22 462727	Fax + 357 22 339866	Email Info.nicosia@pkf.com.cy   www.atconet.net

**The list of directors' names of each firm is open for inspection at their principal place of business.**

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Trust International Insurance Company (Cyprus) Limited as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap 113.

***Report on Other Legal Requirements***

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 1 - 9 is consistent with the financial statements.

*Other Matter*

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Zenon Ipsarides

Certified Public Accountant and Registered Auditor for and behalf of

**PKF Savvides & Co Ltd**

229 Arch. Makarios Ave.,

Meliza Court

3105 Limassol, Cyprus

**Limassol:** 19 April , 2011

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR 2010**

	<b><u>Note</u></b>	<b><u>2010</u></b> <b>US\$</b>	<b><u>2009</u></b> <b>US\$</b>
Transfer from Revenue account		(3.015.903)	(2.532.235)
Other income	3	<u>4.716.583</u>	<u>130.821.752</u>
		1.700.680	128.289.517
Non-operating expenses	20	<u>(151.873)</u>	<u>(609.907)</u>
Profit for the year before taxation	4	1.548.807	127.679.610
Taxation	5	-	(28)
Net profit for the year		<u>1.548.807</u>	<u>127.679.582</u>
<b>Other comprehensive income</b>			
Available for sale investments – fair value gain/(loss)		2.275.010	(114.434)
Revaluation of building per IAS40		<u>533.484</u>	<u>273.309</u>
<b>Other comprehensive income/(expense)</b>		<u>2.808.494</u>	<u>158.875</u>
<b>Total comprehensive income/(loss) for the year</b>		<u>4.357.301</u>	<u>127.838.457</u>

The accompanying notes on pages 17 to 32 form part of these financial statements.

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****REVENUE ACCOUNT FOR THE YEAR 2010**

	<b><u>2010</u></b> <b>US\$</b>	<b><u>2009</u></b> <b>US\$</b>
<b>Insurance revenue:</b>		
Gross premiums written	34.803.069	36.807.899
Less: Ceded premiums	<u>(27.429.015)</u>	<u>(34.596.315)</u>
<b>Net premium written</b>	7.374.054	2.211.584
Change in net unearned premiums	<u>(2.575.640)</u>	<u>(1.422.092)</u>
<b>Net earned premiums</b>	4.798.414	789.492
Net commission and other direct costs(paid)/earned	(807.840)	762.399
Policy fees	<u>572.772</u>	<u>139.068</u>
<b>Insurance revenue</b>	<u>4.563.346</u>	<u>1.690.959</u>
<b>Cost of insurance revenue:</b>		
Net incurred claims	2.969.295	723.448
Provision for unexpired risk	108.713	493.466
Net taxes and fees	1.731	3.161
Net interest on premium reserve	<u>752</u>	<u>2.749</u>
<b>Insurance cost</b>	<u>(3.080.491)</u>	<u>(1.222.824)</u>
Operating expenses	<u>(4.498.758)</u>	<u>(3.000.370)</u>
<b>Net underwriting loss</b>	<u>(3.015.903)</u>	<u>(2.532.235)</u>

The accompanying notes on pages 17 to 32 form part of these financial statements.

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2010**

	<u>Note</u>	<u>2010</u> <u>US\$</u>	<u>2009</u> <u>US\$</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible Assets	6	344.701	114.246
Property and equipment	7	<u>7.202.770</u>	<u>7.090.382</u>
		<u>7.547.471</u>	<u>7.204.628</u>
<b>Current assets</b>			
Investments	8	9.294.147	7.290.576
Accounts receivable and prepayments	9	2.178.500	768.404
Premiums receivable		11.436.682	5.432.928
Reinsurers' balances receivable		367.312	597.408
Bank and cash balances	10	2.969.750	2.095.647
Reinsurers' share of technical reserves	17	38.271.584	44.631.037
Related companies		<u>5.139.715</u>	<u>2.162.907</u>
		<u>69.657.690</u>	<u>62.978.907</u>
<b>Total assets</b>		<u>77.205.161</u>	<u>70.183.535</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	30.312.500	30.312.500
Share premium	13	2.132.500	2.132.500
Provision for reduction of share capital		(20.445.000)	(20.445.000)
Retained earnings	14	7.321.124	5.476.188
Investment revaluation reserve	15	(3.791.584)	(6.114.417)
Property revaluation reserve	16	3.342.624	3.008.775
Exchange difference reserve		<u>(995.066)</u>	<u>(212.994)</u>
		<u>17.877.098</u>	<u>14.157.552</u>
<b>Non-current liabilities</b>			
Income received in advance		<u>2.837.207</u>	<u>2.248.026</u>
<b>Current liabilities</b>			
Creditors, accruals and provisions		5.963.517	3.086.377
Taxation	11	19.312	19.897
Reinsurers' balances payable		5.891.887	3.063.874
Gross technical reserves	17	<u>44.616.140</u>	<u>47.607.809</u>
		<u>56.490.856</u>	<u>53.777.957</u>
<b>Total equity and liabilities</b>		<u>77.205.161</u>	<u>70.183.535</u>

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The accompanying notes on pages 17 to 32 form part of these financial statements.

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR 2010**

	<u>Share Capital</u> US\$	<u>Provision for the reduction of share capital</u> US\$	<u>Retained Earnings</u> US\$	<u>Investment Revaluation Reserve</u> US\$	<u>Share Premium</u> US\$	<u>Property Revaluation Reserve</u> US\$	<u>Exchange Difference Reserve</u> US\$	<u>Total</u> US\$
Balance 1 January, 2009	30.312.500	(20.445.000)	4.130.828	(5.999.983)	2.132.500	2.735.466	-	12.866.311
Total comprehensive income	-	-	127.679.582	(114.434)	-	273.309	-	127.838.457
Exchange differences	-	-	(43.296)	-	-	-	(212.994)	(256.290)
Dividend paid	-	-	(126.290.926)	-	-	-	-	(126.290.926)
Balance 31 December, 2009	<u>30.312.500</u>	<u>(20.445.000)</u>	<u>5.476.188</u>	<u>(6.114.417)</u>	<u>2.132.500</u>	<u>3.008.775</u>	<u>(212.994)</u>	<u>14.157.552</u>
Balance 1 January, 2010	30.312.500	(20.445.000)	5.476.188	(6.114.417)	2.132.500	3.008.775	(212.994)	14.157.552
Total comprehensive income	-	-	1.548.807	2.275.010	-	533.484	-	4.357.301
Exchange differences	-	-	296.129	47.823	-	(199.635)	(782.072)	(637.755)
Balance 31 December, 2010	<u>30.312.500</u>	<u>(20.445.000)</u>	<u>7.321.124</u>	<u>(3.791.584)</u>	<u>2.132.500</u>	<u>3.342.624</u>	<u>(995.066)</u>	<u>17.877.098</u>

From 1 January, 2003 companies, which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of those profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year during the following two years. This special contribution for defence is payable for the account of the shareholders.

The accompanying notes on pages 17 to 32 form part of these financial statements.

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****CASH FLOW STATEMENT FOR THE YEAR 2010**

	<u>2010</u> US\$	<u>2009</u> US\$
<b>Cash flows from operating activities:</b>		
Net profit before taxation	1.548.807	127.679.610
Adjustments for:		
Profit on fixed assets sold	(12.848)	(5.193)
Depreciation	291.509	167.319
Amortisation	89.189	6.106
Profit from sale of investments	-	(126.290.926)
Increase in provision for outstanding claims (net)	841.312	237.160
Increase in reserve for unearned premium (net)	2.394.968	1.432.695
Increase in other technical provisions	131.504	638.772
Exchange differences	<u>864.724</u>	<u>104.297</u>
<b>Operating profit before working capital changes</b>	6.149.165	3.969.840
Accounts receivable and prepayments	(1.410.096)	(160.056)
Premiums receivable	(6.003.754)	(762.625)
Creditors, accruals and provisions	2.877.140	(223.668)
Reinsurance balances	3.058.109	(214.772)
Related companies	<u>(2.976.808)</u>	<u>(2.276.954)</u>
Cash (used in)/generated from operations	1.693.756	331.765
Income tax paid and exchange difference	<u>(585)</u>	<u>22.936</u>
Cash flows (used in)/generated from operating activities	<u>1.693.171</u>	<u>354.701</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(639.524)	(517.967)
Proceeds from sale of fixed assets	13.347	5.642
Purchase of investments (net)	<u>-</u>	<u>(478.649)</u>
Net cash used in investing activities	<u>(626.177)</u>	<u>(990.974)</u>
<b>Cash flows from financing activities</b>		
Exchange difference	(782.072)	(212.994)
Income received in advance	<u>589.181</u>	<u>32.193</u>
Net cash generated from financing activities	<u>(192.891)</u>	<u>(180.801)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	874.103	(817.074)
<b>Cash and cash equivalents at beginning of year</b>	<u>2.095.647</u>	<u>2.912.721</u>
<b>Cash and cash equivalents at end of year (note 10)</b>	<u>2.969.750</u>	<u>2.095.647</u>

The accompanying notes on pages 17 to 32 form part of these financial statements.

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010**

**1. General information**

The company was incorporated in Cyprus on 5 December, 1990 as a limited liability company in accordance with the provisions of the Cyprus Companies Law Cap. 113. The main activity of the company is carrying out insurance/reinsurance business as well as providing related consultancy services to other group companies. The company operates from Cyprus and has a branch in Amman, Jordan.

The average number of employees during the year was 72 (2009 was 55).

**2. Summary of significant accounting policies**

The most important accounting policies that are followed by the company are shown below for the purposes of a better understanding and evaluation of the financial statements:

**a) General**

The financial statements have been prepared in accordance with International Financial Reporting Standards and the provisions of Companies Act Chapter 113, and are stated in U.S. Dollars which is the company's functional currency.

The accounting policies remained unchanged since the formation of the company, with the exception of Investments, Land and Buildings and Unearned Premium reserve. The financial statements have been prepared under the historical cost convention except for available for sale investments, investment property and building and land which are stated at fair value.

**b) Premiums**

Premium income is recognised when Technical Reinsurance accounts or policy debit notes and/or cover notes are issued for 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.

**c) Reinsurance**

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

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

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

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.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010**

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

Amounts recoverable from reinsurers are calculated with reference to the claims liabilities associated with the reinsured risk.

Ceded premiums are recognised in the revenue account over the period that coverage is provided.

**d) Net commission earned**

This represents net commission earned on accepted and ceded reinsurance and profit commission received from reinsurers on previous underwriting years in accordance with treaty conditions. Commissions earned and paid are recognised when the Treaty Reinsurance accounts or policy debit notes are issued.

**e) Technical reserves****i) Outstanding claims reserve**

The Outstanding Claims Reserve is made up of:

- Case Reserves
- Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) reserves.

Case reserves consist of the sum of reserves held for all outstanding cases, case by case, that are still outstanding. Full provision is made in outstanding claims for the estimated cost of all claims notified but not settled at the date of the statement of financial position, using the best information available at the time.

IBNR reserve and IBNER reserve are 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 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 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.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010**

**ii) Unearned premium**

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. These premiums are calculated using the 1/24<sup>th</sup> method. For direct business the company used the 1/365<sup>th</sup> method.

**f) 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.

**g) 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 and outstanding claims reserve. Any inadequacy is immediately charged to the statement of comprehensive income by establishing an unexpired risk provision.

**h) Salvage, subrogation and other recoveries from third parties**

When the salvage amount is known at the time of claims settlement, the same 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. As subrogation and other recoveries will take place after claims settlement, they are treated as above.

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

**i) Property and equipment**

Items of own use property and equipment are stated at cost less accumulated depreciation except for land and building, which as from the current year 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 Property 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 property revaluation reserve is transferred to the general reserve upon sale of property and realization of profit.

Depreciation on revalued buildings is charged to the statement of comprehensive income. The directors have decided to revalue the building and land annually towards the end of each year, therefore no depreciation will be charged.

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.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010****i) Property and equipment (cont'd)**

The depreciation rates calculated based on the expected useful life of the assets are as follows:

	%
Land is not depreciated	
Motor vehicles	15
Furniture, fittings and equipment	10
Computer hardware and software	20 – 33 1/3
Leasehold Improvements	25

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

**j) Intangible Assets**

These represent signing bonuses paid to agents and brokers and as per the company's management are written off over a period of 5 years.

**k) Impairment of tangible assets**

At each statement of financial position 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 to 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount the carrying amount of asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010**

**l) Foreign currencies**

The financial statements are expressed in United States dollars.

Current assets and liabilities of the company other than in United States dollars are translated at the rate of exchange ruling at the statement of financial position date.

Transactions during the year other than in United States dollars are translated at the rate of exchange ruling on the dates when they occur.

Differences on exchange are included in the statement of comprehensive income.

The company's local operations are accounted for using the Euro. All balances at year end are translated to United States dollars which is the company's functional currency.

Balance sheet items are translated using the year end exchange rate while income statement items are based on average rate of exchange. The resulting exchange difference is transferred directly to the Retained Earnings.

**m) Financial assets**

Investments are recognised and derecognised on a trade date 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.

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Financial assets at FVTPL**

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking;

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the income statement. Fair value is determined in the manner described in note 22 (b)

**Held-to-maturity investments**

Debt securities with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010****m) Financial assets (cont'd)**AFS financial assets

Listed shares held by the company that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 22 (b). Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses which are recognised directly in the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in the statement of comprehensive income for the period.

Dividends on AFS equity instruments are recognised in the income statement when the company's right to receive payments is established.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at cost less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010****n) Financial liabilities and equity instruments issued by the Company****Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

**o) 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.

**p) Bank and cash balances**

Bank and cash balances comprise of cash balances and bank deposits with maturity not more than three months.

**q) Accounts receivables/reinsurance, balances**

These receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the value of estimated future cash flows.

**r) Account payables**

Account payables are initially measured at fair value, and subsequently measured at cost.

**s) Contingent liabilities**

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

**t) 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.

**u) Borrowing costs**

All borrowing costs are charged to the income statements in the period in which they have incurred.

**v) Dividend**

Dividends are recognised as a liability in the year in which they are declared.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010****3. Other income**

	<b><u>2010</u></b> <b>US\$</b>	<b><u>2009</u></b> <b>US\$</b>
Fees	4.113.480	3.804.259
Interest	5.536	8.020
Dividend	306.759	320.980
Gain on fixed assets sold	12.848	5.193
Profit on sale of investments (note)	-	126.290.926
Exchange profit	253.591	363.582
Other income	<u>24.369</u>	<u>28.792</u>
	<b><u>4.716.583</u></b>	<b><u>130.821.752</u></b>

**Note:** The amount related to an adjustment in the price of previous year's sale of the subsidiaries to a group company which was decided during the last year.

**4. Profit for the year**

Profit for the year is arrived at after charging the following:

	<b><u>2010</u></b> <b>US\$</b>	<b><u>2009</u></b> <b>US\$</b>
Directors' remuneration	62.235	64.027
Depreciation	291.509	167.320
Amortisation	89.189	6.106
Bank charges and interest	18.875	22.401
Auditors' remuneration	<u>11.500</u>	<u>11.500</u>

**5. Taxation**

	<b><u>2010</u></b> <b>US\$</b>	<b><u>2009</u></b> <b>US\$</b>
Income tax	-	-
Defence contribution	<u>-</u>	<u>28</u>
	<b><u>-</u></b>	<b><u>28</u></b>

The company is liable to income tax at 10% on its taxable profits.

**6. Intangible Assets**

<b>Cost</b>	<b>US\$</b>
	<b>Signing Payments</b>
Additions	<u>120.397</u>
At 1 January, 2010	120.397
Additions	324.211
Exchange difference	<u>(7.988)</u>
At 31 December, 2010	<u>436.620</u>
<b>Amortization</b>	
Charge for the year	(6.106)
Exchange difference	<u>(45)</u>
At 1 January, 2010	(6.151)
Charge for the year	(89.189)
Exchange difference	<u>3.421</u>
At 31 December, 2010	<u>(91.919)</u>
<b>Carrying amount</b>	
At 31 December, 2010	<u>344.701</u>
At 31 December, 2009	<u>114.246</u>

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010**

**7. Property and equipment**

	<u>Land Buildings US\$</u>	<u>Leasehold Improvements US\$</u>	<u>Motor Vehicles US\$</u>	<u>Computer Hardware and Software US\$</u>	<u>Furniture Fittings and Office Equipment US\$</u>	<u>Total US\$</u>
<b>Cost</b>						
At 1 January, 2009	6.176.025	-	325.874	518.913	240.123	7.260.935
Additions	-	77.234	106.781	123.404	90.151	397.570
Disposals	-	-	(24.141)	-	-	(24.141)
Written off	-	-	-	-	(3.249)	(3.249)
Revaluation of land and building	273.309	-	-	-	-	273.309
Exchange difference	<u>(61.069)</u>	<u>-</u>	<u>1.007</u>	<u>858</u>	<u>1.432</u>	<u>(57.772)</u>
At 1 January, 2010	6.388.265	77.234	409.521	643.175	328.457	7.846.652
Additions	-	19.865	50.664	126.740	118.044	315.313
Disposals	-	-	(21.580)	(31.813)	-	(53.393)
Written off	-	-	-	(5.441)	(3.022)	(8.463)
Revaluation of land and building	533.484	-	-	-	-	533.484
Exchange difference	<u>(423.865)</u>	<u>(5.124)</u>	<u>(11.626)</u>	<u>(9.977)</u>	<u>(10.497)</u>	<u>(461.089)</u>
At 31 December, 2010	<u>6.497.884</u>	<u>91.975</u>	<u>426.979</u>	<u>722.684</u>	<u>432.982</u>	<u>8.172.504</u>
<b>Depreciation</b>						
At 1 January, 2009	-	-	(214.047)	(281.661)	(117.354)	(613.062)
Charge for the year	-	(639)	(40.364)	(97.864)	(28.452)	(167.319)
Disposals	-	-	24.141	-	-	24.141
Written off	-	-	-	-	2.127	2.127
Exchange difference	<u>-</u>	<u>(5)</u>	<u>(767)</u>	<u>(680)</u>	<u>(705)</u>	<u>(2.157)</u>
At 1 January, 2010	-	(644)	(231.037)	(380.205)	(144.384)	(756.270)
Charge for the year	-	(23.798)	(51.290)	(110.040)	(55.385)	(240.513)
Corrections from previous years	-	(18.037)	(6.972)	(17.292)	(8.695)	(50.996)
Disposals	-	-	21.580	31.813	-	53.393
Written off	-	-	-	5.441	2.523	7.964
Exchange difference	<u>-</u>	<u>1.457</u>	<u>4.982</u>	<u>5.397</u>	<u>4.852</u>	<u>16.688</u>
At 31 December, 2010	<u>-</u>	<u>(41.022)</u>	<u>(262.737)</u>	<u>(464.886)</u>	<u>(201.089)</u>	<u>(969.734)</u>
<b>Carrying amount</b>						
At 31 December, 2010	<u>6.497.884</u>	<u>50.953</u>	<u>164.242</u>	<u>257.798</u>	<u>231.893</u>	<u>7.202.770</u>
At 31 December, 2009	<u>6.388.265</u>	<u>76.590</u>	<u>178.484</u>	<u>262.970</u>	<u>184.073</u>	<u>7.090.382</u>

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010**

**8. Investments**

	<b><u>2010</u></b> <b>US\$</b>	<b><u>2009</u></b> <b>US\$</b>
Available for sale		
Listed on stock markets	<u>9.294.147</u>	<u>7.290.576</u>
	<b><u>2010</u></b> <b>US\$</b>	<b><u>2009</u></b> <b>US\$</b>
Cost at 1 January	13.491.938	13.013.289
Cost of additions	-	478.649
Exchange differences	(406.207)	(86.945)
Fair value reserve 31 December	<u>(3.791.584)</u>	<u>(6.114.417)</u>
At fair value 31 December	<u>9.294.147</u>	<u>7.290.576</u>

**Note:**

The market value of listed available for sale investments at approximately the date of signing the audited Financial Statements was US\$8.641.918.

**9. Accounts receivable and prepayments**

	<b><u>2010</u></b> <b>US\$</b>	<b><u>2009</u></b> <b>US\$</b>
Debtors, deposits and prepayments	1.251.826	463.374
Deferred commission	<u>926.674</u>	<u>305.030</u>
	<u>2.178.500</u>	<u>768.404</u>

**Note:**

The amounts are receivable within one year. The directors consider that the carrying amount of trade and other receivables approximate their fair value. No interest is charged on these receivables.

**10. Bank and cash balances**

	<b><u>2010</u></b> <b>US\$</b>	<b><u>2009</u></b> <b>US\$</b>
Cash in hand	6.356	5.802
Cash at bank	<u>2.963.394</u>	<u>2.089.845</u>
	<u>2.969.750</u>	<u>2.095.647</u>

Cash at bank in the currencies in which they are denominated are analysed as follows:

	<b><u>2010</u></b> <b>US\$</b>	<b><u>2009</u></b> <b>US\$</b>
U.S. Dollar	930.179	1.105.092
Sterling pound	580.686	34.234
Jordanian Dinar	1.014.828	660.966
Euro	373.860	230.251
Lebanese pounds	<u>63.841</u>	<u>59.302</u>
	<u>2.963.394</u>	<u>2.089.845</u>

**Note:**

The carrying amount of these assets approximate their fair value.

An amount of Euro6.290 is blocked as security for a letter of guarantee in favour of a local municipality.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010****11. Taxation**

	<u>2010</u> <u>US\$</u>	<u>2009</u> <u>US\$</u>
Income tax (payable)/refundable	(8.231)	(8.818)
Defence contribution payable	<u>(11.081)</u>	<u>(11.079)</u>
	<u>(19.312)</u>	<u>(19.897)</u>

The company is liable to income tax at 10% on its taxable profits. As per agreement with the Cyprus Income Tax authorities the salaries of expatriates for days spent abroad carrying out their duties are paid through the company's permanent establishment in Amman, Jordan.

**12. Share capital**

	<u>2010</u> <u>US\$</u>	<u>2009</u> <u>US\$</u>
Authorised, issued and fully paid 30.312.500 ordinary shares of US\$1 each	<u>30.312.500</u>	<u>30.312.500</u>

Note: On 20 January, 2011 the company has reduced its issued and fully paid share capital to 12.000.000 ordinary shares of US\$1 each.

**13. Share premium**

On 27 April, 2005 the company's authorised and fully paid capital was increased from 30.100.000 ordinary shares of US\$1 each to 30.212.500 ordinary shares of US\$1 each. These shares were issued at a premium of US\$10.96 per share resulting in an amount of share premium of US\$2.132.500.

**14. Retained earnings**

At the year ended 31 December, 2010 the reserves available for distribution amounted to US\$7.321.124 (2009 US\$5.476.188).

**15. Investment revaluation reserve**

The investment revaluation reserve arises on the revaluation of available-for-sale investments. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset (investment) is recognised in the statement of comprehensive income. Where a revalued financial asset is impaired the portion of the reserve that relates to this financial asset is recognised in the statement of comprehensive income.

**16. Property revaluation reserve**

The property revaluation reserve arises on the revaluation of land and buildings. When revalued land and buildings are sold, the portion of the property revaluation reserve that relates to that asset is transferred directly to the retained earnings.

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010****17. Technical reserves**

	<u>2010</u> <u>US\$</u>	<u>2009</u> <u>US\$</u>
Provision for unearned premium		
-gross	20.059.341	20.339.654
-reinsurers' share	<u>(15.961.435)</u>	<u>(18.636.716)</u>
	<u>4.097.906</u>	<u>1.702.938</u>
Outstanding claims reserve		
-gross	23.786.523	26.629.383
-reinsurers' share	<u>(22.310.149)</u>	<u>(25.994.321)</u>
	<u>1.476.374</u>	<u>635.062</u>
IBNR	65.350	69.994
IBNER	107.278	74.587
Reserve for unexpired risk	<u>597.648</u>	<u>494.191</u>
	<u>770.276</u>	<u>638.772</u>
	<u>6.344.556</u>	<u>2.976.772</u>

**18. Ultimate holding company**

The company's ultimate holding company is Nest Investments (Holdings) Limited a company incorporated in Jersey, Channel Islands. The controlling party is Mr Ghazi K. Abu Nahl.

**19. Related party transactions**

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.

Gross premiums amounting to US\$14.384.809 (2009 US\$12.302.595), emanate from group companies. Income relating to processing and consultancy fees amounting to US\$2.103.407 (2009 US\$1.526.801) was earned from subsidiaries and other group companies.

**20. Apportionment of expenses**

As from the current year the company apportions its administration and financial expenses based on the orders and Guidance notes as defined by the Cyprus Insurance Laws of 2002-2009. Comparatives have not been amended in this respect.

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010****21. 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 statement of financial position when the company becomes a party to the contractual provisions of the instrument.

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

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

The risks management policies used by the company to manage various risks factors are explained below:

**Capital risk management**

The company manages its capital to ensure it will continue on a going concern while maximizing the return to its shareholders. The capital structure of the company consists of assets attributable to equity holders comprising of issued capital, share premium, revaluation reserve, and retained earnings as disclosed in notes 12 to 16. The company's management reviews the capital structure regularly and recommends dividend payments as well as new share issues.

**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 ceding companies or clients 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 international ratings and follows up developments in their areas of operations.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010****21. Financial instruments and risk management (cont'd)****Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Even though the company undertakes certain transactions in foreign currencies and therefore may be exposed to exchange rate fluctuations. The management applies certain policies and procedures which control and eliminate any material currency risk potential losses. The company's reporting currency is the United States Dollars. 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 will fluctuate as a result of changes in market prices. The company is exposed to market risk with respect to its investments in quoted available-for-sale securities and investment properties.

The company limits its market risk by maintaining a conservative investment portfolio and continuously monitoring the related stock markets 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 following up changes in interest rates in the currencies in which its time deposits are denominated.

During the year the effective interest rate on time deposits, which are denominated in US Dollars was 0.5% approximately and on the Jordanian Dinnar deposits was 3.5%.

**Credit risk**

Credit risk is the risk that a counterparty, will default on its contractual obligation resulting in a financial loss to the company. The company employs certain policies and procedures in order to maintain credit risk exposures within reasonable limits.

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.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010**

**21. Financial instruments and risk management (cont'd)**

**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. The company's management maintains adequate reserves and banking facilities by continuously monitoring and forecasting required cash flows.

**Political risk**

The company operates through the group's subsidiaries in countries some of which face political unrest. The directors of the group monitor developments in these countries and they are confident that no real financial loss to the company will result out of this unrest in this geographical area.

**22. Fair values**

a) 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 statement of financial position 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 with the exception of listed available for sale investments which at the date of finalising these financial statements these were valued at US\$8.641.918.

b) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions;

**23. Contingent liabilities**

The company had the following contingent liabilities as at 31 December, 2010:

- A blocked bank balance amounting to Euro6.290 (note 10).

**24. Commitments**

The company had no capital or other commitments as at 31 December, 2010.

**25. Events after the reporting date**

There were no material events after the reporting period which have a bearing on the understanding of the Financial Statements except for the reduction of share capital as mentioned in note 12.

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**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2010****26. Segmental information**

a. The company's Written Premiums per geographical area are as follows:

	<b><u>2010</u></b>	<b><u>2009</u></b>
	<b>US\$</b>	<b>US\$</b>
Asia	19.853.623	27.918.305
Africa	5.965.805	6.763.453
EEU (Cyprus)	<u>8.983.643</u>	<u>2.126.141</u>
	<u><u>34.803.071</u></u>	<u><u>36.807.899</u></u>

b. The company's written premiums are analysed per class of business as follows:

	<b><u>2010</u></b>	<b><u>2009</u></b>
	<b>US\$</b>	<b>US\$</b>
Marine and Transport	3.984.360	4.666.872
Fire and other damage to property	15.771.210	24.575.163
Motor	12.521.277	5.691.501
Miscellaneous	1.254.671	869.143
Liability	1.016.043	935.668
Accident	<u>255.510</u>	<u>69.552</u>
	<u><u>34.803.071</u></u>	<u><u>36.807.899</u></u>

**27. Premiums earned**

The company's premium income outside Cyprus is derived from reinsurance operations and all written premiums are emanating from non E.U. member states or Switzerland. Local operations relate to direct business.

The Gross Premiums earned during the year were US\$32.508.093 (2009 US\$31.090.796).

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**

**FINANCIAL STATEMENTS 31 DECEMBER, 2010**

**ADDITIONAL INFORMATION**

	<b><u>Schedule</u></b>
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Financial expenses	2
Computation of chargeable income	3
Computation of capital allowances	4
Schedule of balancing additions	5

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****FINANCIAL STATEMENTS 31 DECEMBER, 2010****ADMINISTRATION EXPENSES**

	<b><u>2010</u></b> <b>US\$</b>	<b><u>2009</u></b> <b>US\$</b>
Directors' remuneration	62.235	64.027
Salaries and social benefits (social cohesion fund US\$23.489)	2.729.743	2.004.786
Telephones, telexes and postages	88.195	73.256
Printing and stationery	95.779	78.598
Electricity, heating and water	54.617	40.893
Repairs and maintenance	32.860	14.251
Professional services	120.294	415.791
Motor vehicle expenses	24.609	23.246
Travelling expenses and entertainment	189.135	140.690
Rents and common expenses	113.526	74.228
Advertising	324.073	72.050
Cleaning expenses	31.159	32.813
Insurances	80.896	77.912
Subscriptions and donations	136.193	121.238
Rates and taxes	11.145	11.194
Audit fee	11.500	11.500
Computer expenses	13.351	25.269
Sundry expenses	38.860	32.016
Storage expenses	4.555	4.176
Training expenses	877	30.000
Security expenses	14.324	10.978
Garden expenses	10.001	55.539
Provision for doubtful debts	61.769	-
Depreciation		
Furniture, fittings and office equipment	64.080	28.452
Motor vehicles	58.262	40.364
Computer hardware and software	127.332	97.864
Building renovation	41.835	639
Amortization of intangible assets	89.189	6.106
	<b><u>4.630.394</u></b>	<b><u>3.587.876</u></b>

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**

**FINANCIAL STATEMENTS 31 DECEMBER, 2010**

	<b><u>2010</u></b> <b>US\$</b>	<b><u>2009</u></b> <b>US\$</b>
<b><u>Financial expenses</u></b>		
Bank charges and interest	18.875	20.348
Other interest	-	2.053
Penalties and interest on taxes	<u>1.362</u>	-
	<u>20.237</u>	<u>22.401</u>

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****COMPUTATION OF CHARGEABLE INCOME FOR 2010**

	<b><u>Schedule</u></b>	<b>US\$</b>
Profit for the year		1.548.807
Permanent establishment profit exempted from income tax computation – article 36(3)		(3.018.065)
Social cohesion fund on salaries	1	23.489
Balancing deduction	5	(9.852)
Depreciation ( Cyprus based assets)		162.035
Amortisation (Cyprus based assets)		89.189
Interest disallowed		6.003
Gain on fixed assets sold		(12.848)
Annual capital allowances	4	<u>(173.671)</u>
Loss for the year		<u>(1.384.913)</u>
		<b>€</b>
Translated into Euro at the rate of €1 : US\$1,3382		(1.034.907)
Loss brought forward		<u>(1.114.250)</u>
Loss to be carried forward		<u>(2.149.157)</u>

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED**  
**COMPUTATION OF CAPITAL ALLOWANCES FOR 2010**

**Schedule 4**

	Cost		Rate	Annual allowances			Written
	US\$	US\$		Up to	2010	Total	down value
<u>Buildings</u>				31.12.2009			31.12.2010
	US\$	US\$	%	US\$	US\$	US\$	US\$
2002	2,013,331		3	483,200	60,400	543,600	1,469,731
2007	<u>158,815</u>		3	14,292	4,764	19,056	139,759
		2,172,146					
Renovation - 2009	77,234	-	10	7,723	7,723	15,446	61,788
2010	<u>19,865</u>		10	-	1,986	1,986	17,879
	97,099						
Exchange Difference	<u>(5,124)</u>	91,975					
<u>Land</u>							
2002	418,233		0	-	-	-	418,233
2007	<u>1,199,154</u>		0	-	-	-	1,199,154
		1,617,387					
<u>Furnitures, fittings and office equipment</u>							
1995	420		10	420	-	420	-
1996	4,749		10	4,749	-	4,749	-
1997	1,036		10	1,036	-	1,036	-
1998	1,492		10	1,492	-	1,492	-
2000	19,307		10	19,303	4	19,307	-
2001	592		10	534	58	592	-
2002	53,824		10	43,059	5,382	48,441	5,383
2003	6,116		10	4,283	612	4,895	1,221
2004	81,160		10	48,696	8,116	56,812	24,348
2005	11,050		10	5,525	1,105	6,630	4,420
2006	14,518		10	5,806	1,452	7,258	7,260
2007	16,647		10	4,995	1,665	6,660	9,987
2008	5,762		10	1,152	576	1,728	4,034
2009	90,151		10	9,015	9,015	18,030	72,121
2010	<u>118,043</u>		10	-	11,804	11,804	106,239
	424,867						
<u>Exchange differences</u>	<u>8,115</u>						
		432,982					
<u>Computer hardware and software</u>							
1998	5,426		20	5,426	-	5,426	-
2000	2,622		20	2,622	-	2,622	-
2002	3,958		20	3,958	-	3,958	-
2003	11,890		20	11,890	-	11,890	-
2004	53,174		20	53,174	-	53,174	-
2005	56,091		20	56,091	-	56,091	-
2006	14,797		20	11,839	2,958	14,797	-
2007	303,767		33,33	303,767	-	303,767	-
2008	30,109		20	12,044	6,022	18,066	12,043
2009	123,404		20	24,681	24,681	49,362	74,042
2010	<u>126,740</u>		20	-	25,348	25,348	101,392
	731,978						
<u>Exchange differences</u>	<u>(9,294)</u>						
		722,684					
<u>Motor vehicles</u>							
Mitsubishi Galant EZA550 -1998	21,753		0	-	-	-	21,753
Audi Saloon (overseas)							
2000 (Duty free)	11,797		0	-	-	-	11,797
2001 (Duty tax paid)	8,964		0	-	-	-	8,964
BMW520 Saloon (overseas) -2001	34,556		0	-	-	-	34,556
Mitsubishi Pajero GLS (overseas) - 2005	50,423		0	-	-	-	50,423
Mitsubishi Pajero GLS (overseas) - 2005	50,423		0	-	-	-	50,423
Honda Accord KMP111 - 2006	40,808		0	-	-	-	40,808
Volvo Saloon (overseas)-2006	45,839		0	-	-	-	45,839
Kia Pekano - 2010	10,719		0	-	-	-	10,719
BMW KWE119-2010	35,833		0	-	-	-	35,833
Audi A4 KEY427-2010	10,033		0	-	-	-	10,033
BMW 5201	60,915		0	-	-	-	60,915
Honda Accord	44,711		0	-	-	-	44,711
Peugeot Van HPM482	3,679			-	-	-	3,679
Motor Cycle KXL918	<u>2,274</u>			-	-	-	2,274
	432,727						
Exchange differences	<u>(5,748)</u>						
		426,979					
Total cost		5,476,204		1,140,772	173,671	1,314,443	4,161,761
Total exchange difference		<u>(12,051)</u>		-	-	-	<u>(12,051)</u>
		<u>5,464,153</u>		<u>1,140,772</u>	<u>173,671</u>	<u>1,314,443</u>	<u>4,149,710</u>

**TRUST INTERNATIONAL INSURANCE COMPANY (CYPRUS) LIMITED****STATEMENT OF BALANCING ADDITIONS/(DEDUCTIONS)****FOR THE YEAR 2010**

	<u>Cost</u> US\$	<u>Annual</u> <u>Allowances</u> US\$	<u>Written</u> <u>Down value</u> US\$	<u>Sale</u> <u>proceeds</u> US\$	<u>Balancing</u> <u>Addition/(deduction)</u> US\$
<b><u>Motor Vehicles</u></b>					
Mercedes Saloon (overseas) - 2003	<u>21.580</u>	<u>-</u>	<u>21.580</u>	<u>12.694</u>	<u>(8.886)</u>
<b><u>Furniture &amp; fittings</u></b>					
Written off					
-1999	233	233	-	-	-
-2000	1.338	1.338	-	-	-
-2001	166	149	17	-	(17)
-2002	887	710	177	-	(177)
-2003	282	197	85	-	(85)
-2006	<u>116</u>	<u>46</u>	<u>70</u>	<u>-</u>	<u>(70)</u>
	<u>3.022</u>	<u>2.673</u>	<u>349</u>	<u>-</u>	<u>(349)</u>
<b><u>Computer Hardware &amp; Software</u></b>					
Written off					
- 2000	1.269	1.269	-	-	-
- 2002	837	837	-	-	-
- 2004	<u>3.335</u>	<u>3.335</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>5.441</u>	<u>5.441</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sold					
- 2002	3.159	3.159	-	14	14
- 2003	4.868	4.868	-	28	28
- 2004	9.851	9.851	-	127	127
- 2005	8.389	8.389	-	141	141
- 2006	4.991	3.993	998	43	(955)
- 2007	<u>556</u>	<u>556</u>	<u>-</u>	<u>28</u>	<u>28</u>
	<u>31.814</u>	<u>30.816</u>	<u>998</u>	<u>381</u>	<u>(617)</u>
Total	<u>61.857</u>	<u>38.930</u>	<u>22.927</u>	<u>13.075</u>	<u>(9.852)</u>

