Trust International Insurance Company (Cyprus) Limited

FINANCIAL STATEMENTS

31 December 2012

Contents

GENERAL INFORMATION

Board of Directors

Frixos Savvides - Chairman
Dimis Michaelides (resigned 30 September 2012)
Mehran Eftekhar
Kamel Abu Nahl
Fadi Abu Nahl (resigned 27 November 2012)
Chris Georghiades
Stavros Stavrou
Kyriakos Kazamias (appointed 1 October 2012)

Chief Executive Officer

Christos Christodoulou

Secretary

Cyproservus Co. Limited

Registered Office

284 Archbishop Makarios III Avenue
Fortuna Court Block B, 2nd floor
3015 Limassol, Cyprus

Legal Advisors

Chrysses Demetriades & Co. Llc

Independent Auditors

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors
Nicosia

A MESSAGE FROM THE CHAIRMAN

Trust International Insurance Company (Cyprus) Ltd experienced another successful year despite the financial crisis and the uncertainty of the economy. It gives me a great pleasure in reporting these results and achievements of the company for the year 2012, together with future plans.

In implementing our vision and strategy we rely and thank our Holding Company, Board members, organization leaders, employees and associates as they serve our customers and shareholders. Our Vision 'To lead through innovation and service excellence' is very challenging but motivating at the same time; it involves tireless efforts of self-improvement and vigilant managing of the Company's resources.

Reinsurance Activities

Our Reinsurance activities are ceded to highly rated and credible reinsurers for the benefit of our Direct Insurance Group. We are very proud to announce that our Reinsurance business has increased by 33% during 2012. The main factor has been the increased volume of business throughout our Direct Insurance Group.

Local Insurance Activities

I am also pleased to report that the Company had a very successful year with regards to expansion and market share. The growth for the year was 35% and its market share rose to 3,73%. Considering that the inception of the operation was in August 2009, these results are extremely satisfactory. We are now considered as one of the leading Insurance entities in Cyprus.

Results

The Company's Gross Earned Premiums rose to $53.851.588, an increase of 14,9% and the net profit increased by 8,3% from last year. It is worth mentioning that this profit generated from operating activities and not investment returns. The net profit after tax of $2.634.201 was great achievement for which we thank the management and the staff.

ERM

We now have installed one of the most sophisticated Business Intelligence software, providing on-line MIS reports and alerts to Management and Directors, while our Corporate Governance practices were enriched and enhanced through eight risk based Internal Audits that covered all areas of operations and Company locations. Our extensive risk management processes cover the ERM cycle, provided by Nest Corporate services for which we thank the Holding Company for the level and quality of services provided throughout the year.

Future Outlook

Recent developments to the Cyprus Financial Sector, March 2013, although create an uncertain outlook for the Cyprus Financial Industry and Economy, we do not anticipate a negative effect on our business. On the contrary, Cyprus Local Operations are expected to be the alternative option for both Retail and Corporate clients. We are part of an international group carrying Insurance, Reinsurance, Broking, Real Estate, Banking and other licensed services. We have the full support of the parent in all respect.

Our insurance license in Cyprus comprising both Insurance and reinsurance activities provide us a balanced platform in retaining our profitability and positive cash flow.

With regards to the financial crisis that Cyprus is currently facing: Insurance Companies are exempted from any levy on their deposits. Our Company's assets are in their majority abroad, from the beginning of operations (1990) due to our overseas activities. Based on the above, the company is not directly affected by the financial crisis.

A MESSAGE FROM THE CHAIRMAN (continued)

The Board and the Executive team have prepared an action plan to safeguard the Company from the indirect threats that are currently anticipated, such as credit control and claims. At the same time due to the Company's Risk policies that we have adopted from inception we are set up and ready to deal effectively with all possible scenarios. Furthermore, our solvency margin at 31/12/2012 was 318% of the legal obligation. This fact allows the Company to continue pursuing its ambitious plans.

We strongly believe that Trust International Insurance Company (Cyprus) Ltd is poised for growth and future success. Building on our strong performance in 2012, the Company remains focused towards increasing our market share and creating a balanced portfolio that will allow for even better underwriting results and higher profitability.

I'm proud to be the Chairman of this Organization and I'm excited about what the future holds for Trust International Insurance Company (Cyprus) Ltd.

Frixos Savvides
Chairman

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I am pleased to report that the year of 2012 was another year of achievement for Trust International Insurance Company (Cyprus) Ltd. We started the year as a strong and stable company and managed to grow significantly by 35% in our Local Operations, while our Reinsurance Operations grew by 33%. Our financial results, summarized in this report were strong, but what's more, we earned recognition for our achievements and market penetration.

Our Company

Trust International Insurance Company (Cyprus) Ltd, established in 1990, is a member of the Nest Investments Holdings Ltd (Nest Group). Since carrying out its local operations from August 2009 under a new management and structure the Company has been the fastest-growing Insurance and reinsurance entity based in Cyprus.

The Company operates from two locations:

1. **The Amman Regional Office,** comprised of 26 qualified employees, provides support for Reinsurance and technical services for all Direct Insurance Companies of Nest Group. It also provides training and educational assistance as well as other corporate services to the same group. The reinsurance activities are however under the Cyprus Company.

2. **Cyprus Local Operations – Direct Insurance** has marked 35% growth over 2011, achieving its very ambitious budget plans. Our Company offers a wide range of insurance products to cover personal lines, commercial and industrial risks. We employ 60 dedicated staff and managers and our sales force is composed of 121 experienced Brokers.

During 2012 the Company enhanced its corporate governance practices by upgrading its procedure manuals, automating its systems and upgrading its ERM processes. Throughout the year we have also invested in technology; we have implemented a Business Intelligence system for transparency and reliable decision-making. Furthermore, we are also investing in major projects to improve service quality; Customer Relationship Management (CRM) system is one of the projects currently under implementation.

Our Competitive Advantage

Nest Group provides a full range of Corporate Services to the Company in the following areas:

- Strategy & Planning
- Actuarial and Risk Management
- Internal Audit
- Human Resources and Training
- Information Technology

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER (continued)

Through Corporate Services, the parent Company provides the necessary tools to support our requirements. Our shareholders' financial strength supports the company's ambitious plan: **to be a leading Insurance Company**. As a company we aim to provide highly reliable and high-quality of products and services to customers through the implementation of our key strategies:

- **Best Value for money**: The Company has adopted the strategy to provide all around insurance covers to meet customers' needs at competitive rates. It is important to state that in order to acquire market share, the Company forced 'quality of service' rather than premium competition; a strategy that rewarded the Company with excellent results.
- **Product Range and Insurance Capacities**: We offer an extensive range of products that can cover all General Insurance and Medical needs of our customers, both on an individual and at business level. Our products are supported by an excellent reinsurance programme that enable us to provide high Insurance covers, while offering protection and security to the Company as it is ceded with well-established and highly rated European and other Reinsurers.
- **Quality of Service**: Service innovation, in combination with product superiority and our investment in technology and staff training, provide an important advantage to Trust Insurance Cyprus. High quality service and fast settlement of "fair" claims are part of our culture, highlighting the reason and purpose of business.

Cyprus Financial Crisis

Our exposure to the financial crisis sadly experienced in Cyprus is mitigated by our reinsurance activities 100% outside Cyprus. Furthermore our local exposure is minimal due to prudent risk management processes. We of course are vigilant and responsible towards the environment we operate in.

Building on our Strengths

The Company for the past four years has managed to establish itself as an Insurance Leader; a Company that is:

- Financially sound and strong with the backing of an even stronger and well-established Group, Nest Investments Holdings Ltd, with Insurance know-how and expertise.
- Dynamic and with high professional standards.
- Always providing excellent service, aiming to meet customers' expectations and is focusing on speedy settlement of claims.
- Sophisticated processes to support our vision and mission.

The above give us the confidence to continue pursuing our ambitious goals for 2013 and for the subsequent years.

In closing, I would like to express my sincere gratitude to our Holding Company and the Directors for their devotion and commitment to the success of the Company, their constant contribution and availability to immediately deal with all issues arising; to Nest Investments (Holdings) Ltd that have greatly assisted the Company to build its Strategies together with systems and practices, that now, at this time of need, differentiates our Company from the competition; and finally, to all staff members for their commitment and passion towards achieving our goals.

Based on these synergies, our strong foundation and goals as well as our willingness to go above and beyond, we will continue our path towards a greater future.

Christos Christodoulou
Chief Executive Officer

The Board of Directors submits to the shareholders its Report together with the audited financial statements for the year ended 31 December 2012.

Principal activities

Trust International Insurance Company (Cyprus) Limited is a limited liability company incorporated in Cyprus on 5 December 1990 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.

Branches

The Company operates from Cyprus and engages in reinsurance operations through a branch in Amman, Jordan.

Results, current position, development and performance

The Company's gross written premium in 2012 was US$66.563.801 compared to US$51.190.696 in 2011. The increase is due to higher by 33% (2011: 34%) premium written by the Reinsurance operations of Amman Regional Office ("ARO") whereas the Cyprus Direct operations showed a growth of 33% (2011: 86%) comparing to 2011. Net premium written in 2012 was US$16.806.171 compared to US$13.974.785 in 2011, which reflects the increase in premium retained from the Cyprus Direct operations.

Gross incurred claims increased from US$12.293.390 in 2011 to US$27.625.067 in 2012 whereas Net incurred claims increased from US$6.216.881 in 2011 to US$8.128.557 in 2012. The increase is due to claims retained from the Cyprus Direct operations. The Gross Loss Ratio (Gross Incurred Claims to Gross Earned Premium) was 51% in 2012 comparing to 26% in 2011 and the Net Loss Ratio (Net Incurred Claims to Net Earned Premium) was 55% in 2012 comparing to 54% in 2011.

The net underwriting loss for the year increased to US$1.942.285 comparing to US$1.182.169 for 2011. The Gross Combined Ratio (Gross Claims and Commissions and Expenses) on Gross Earned Premium was 87% in 2012 and 66% in 2011. If this ratio is calculated on Gross Written premium it reduces to 71% for 2012 and 60% for 2011.

The net profit for the year is US$2.634.201 as compared to US$2.431.695 for 2011. The main reason for the increase is the increase in net earned premium and other income, whereas there has been an increase in the net claims incurred and administrative expenses. The return on equity for 2012 is 9% and 13% for 2011.

The Company's gross technical reserves stand at US$64.000.860 as at 31 December 2012 as compared to US$46.054.245 as at 31 December 2011. There has been an increase in the technical reserves of both the Reinsurance operations and the Direct operations, especially in the unearned premium as result of the growing new business. The net technical reserves are US$13.500.452 as at 31 December 2012 comparing to US$10.196.510 as at 31 December 2011, due to the increase in the retained reserves for the Cyprus Direct operations. Included in the reserves is an Unexpired Risks Reserve of US$18.112 (2011: US$135.499) and IBNR/IBNER reserves of US$692.780 (2011: US$565.616) which were both revised as at 31 December 2012.

The Bank and Cash balances increased to US$8.857.950 as at 31 December 2012 from US$5.135.698 as at 31 December 2011.

Shareholders' equity increased to US$27.943.576 as at 31 December 2012 from US$18.343.116 as at 31 December 2011, mainly as a result of the net profit for the year of US$2.634.201, the appreciation in the value of investments and exchange differences. In addition, there has been a contribution by the parent company in equity of €1.388.290, which will be converted into share capital in due course.

According to latest official statistics of the Insurance Association of Cyprus, the Company retains a share 3,15% of the Cypriot general insurance market sector.

Dividends

The Company did not pay any dividend during the year. The Board of Directors does not propose the payment of a final dividend for 2012 (2011: nil).

Main risks and uncertainties

The Company is exposed to a variety of risks, the most important of which are insurance risk, changes on the prices of investments and interest rates, liquidity risk and credit risk. These risks are identified, measured and monitored through various control mechanisms in order to prevent undue risk concentrations. Detailed information relating to the Company's operating environment is disclosed in note 1and risk management in note 20 to the financial statements respectively.

Share capital

On 20 January 2011, the Company reduced its issued and fully paid share capital from 30.312.500 to 12.000.000 ordinary shares of US$1 each respectively.

The parent company has provided a confirmation that the credit balance of US$1.388.290 due to them by the Company, will not be called for payment and is considered subordinated for the purposes of increasing the Company's capital.

Events after the reporting date

Cyprus and the Eurogroup (together with the International Monetary Fund) reached an agreement on 25 March 2013 on a package of measures intended to restore the viability of the financial sector and sound public finances over the coming years.

The agreed measures include the resolution of Cyprus Popular Bank (Laiki) and the recapitalisation of Bank of Cyprus (BoC).

- Laiki will be resolved using the Bank Resolution Framework. Equity shareholders, bondholders and uninsured depositors (i.e those with balances equivalent to more than €100.000 per depositor, per bank) will contribute to make up the losses.

- BoC will be recapitalised through a deposit/equity conversion of uninsured deposits, with full contribution of equity shareholders and bondholders. The conversion will be such to achieve a capital ratio of 9 %.

- Most of the assets and the insured deposits in Laiki will be sold to BoC.

Depositors in all other Cyprus banks are fully protected, irrespective of the size of deposits.

The Company does not have any investments in equity and debt instruments of either of the two above mentioned banks. Also, as per the provisions of two Decrees issued by the Central Bank of Cyprus on 29 March 2013, deposits held by insurance companies are excluded from the measures provided for other uninsured depositors. Accordingly, the Company is not expected to suffer any losses from the restructuring of the banks.

However, deposits in all banks in Cyprus are subject to administrative measures to protect the liquidity in the banking system. These administrative measures include temporary restrictions on money transfers and cash transactions. Funds transferred from abroad to Cyprus are excluded from the restrictions.

Events after the reporting date (continued)

The Company had in current and deposit accounts with banks domiciled in Cyprus €2.853.873 as of 31 December 2012 and €3.412.822 as of the date of the approval of these financial statements respectively.

Although no financial loss is expected, the Company's management is monitoring the developments in relation to these temporary restrictions and is assessing the implications on the Company's operations. These measures will be in force for a period of time deemed necessary by the Cypriot Authorities.

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 2012 the Board of Directors held four 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

Name	Position	Committee Role
Frixos Savvides	Chairman	N&RC Committee - Chairman
Dimis Michaelides	Vice Chairman (resigned 30/9/2012)	N&RC Committee - Member
Mehran Eftekhar	Group Head of Corporate Services and Finance Director	N&RC Committee - Member
Kamel Abu Nahl	Director	N&RC Committee - Member
Fadi Abu Nahl	Director (resigned 27/11/2012)	-
Chris Georghiades	Director	Audit Committee - Member Risk Committee - Chairman
Stavros Stavrou	Director	Audit Committee - Chairman Risk Committee - Member
Kyriakos Kazamias	Director (appointed 1/10/2012)	Audit Committee - Member Risk Committee - Member

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.

Dimis Michaelides – Vice Chairman (resigned on 30 September 2012)
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 Eftekhar – Group Head of Corporate Services and Finance Director
Mr. Mehran Eftekhar 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 Head of Corporate Services and 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 (resigned 27 November 2012)
Mr. Fadi Abu Nahl is a director in 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 – Director
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.

Kyriakos Kazamias – Director
Mr. Kyriakos Kazamias served as Chief Executive Officer of Limassol Cooperative Savings. For ten years he has been a member of the Parliamentary Committee of Finance and Budget. He has also represented the Cyprus Parliament in various international meetings abroad. His contribution to the Cypriot economy has played an important role since he was the Minister of Finance.

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:

- Stavros Stavrou - Chairman
- Chris Georgiades
- Kyriakos Kazamias

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:

- Frixos Savvides - Chairman
- Mehran Efthekhar
- Kamel Abu Nahl

Secretary: Mufid Sukkar

The N & RC Committee's primary functions are to asses 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
- Stavros Stavrou
- Kyriakos Kazamias

Secretary: 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.

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.

Internal Audit

The risk based Internal Audit services are provided through the Nest Group Corporate Services.

During 2012 the following projects/ risk based audits, as per the approved yearly plan were performed:

- Human Resources and Payroll
- Claims Department
- Limassol Branch
- Review of Procedures Manuals
- Amman Regional Office (Finance and Human Resources Department)
- Four Work in progress follow up reports

All the final reports were presented to the AC where they were fully discussed and approved. All approved recommendations were included in the WIP/ Follow up reports and checked for compliance throughout the year; the completed recommendations were deleted and after every audit the new outstanding issues are included.

For 2013, there are approved audit plans to audit the Larnaca branch, Paphos branch, Underwriting department and Amman Branch Underwriting department.

Independent Auditors

The independent auditors of the Company Ernst & Young Cyprus Limited, have expressed their willingness to continue in office. A resolution for their re-appointment and remuneration will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

Cyproservus Co. Limited
Secretary
Limassol, 2 April 2013

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Independent Auditor's Report

To the Members of Trust International Insurance Company (Cyprus) Limited

Report on the Financial Statements

We have audited the financial statements of Trust International Insurance Company (Cyprus) Limited (the "Company") on pages 16 to 51, which comprise the statement of financial position as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of financial statements that give a true and fair view 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.

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 at 31 December 2012, 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 European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

We draw attention to Note 22 to the financial statements, which describes the Cyprus agreement with the Eurogroup and its potential impact on bank deposits in banks domiciled in Cyprus. Our opinion is not qualified in respect of this matter.

Report on Other Legal Requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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 Cyprus 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 8 to 13 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 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 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.

Irene Psalti
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
2 April 2013

INCOME STATEMENT
for the year ended 31 December 2012

	Notes	2012 US$	2011 US$
Gross earned premiums	3	53.851.588	46.867.479
Reinsurers' share of gross earned premiums	3	(39.123.609)	(35.399.165)
Net earned premiums		14.727.979	11.468.314
Fee and commission income		10.611.785	11.530.286
Deferred acquisition costs	3	503.047	719.952
Income from investments		37.712	6.451
Other income from insurance operations		44.020	211.207
Total revenue from insurance operations		25.924.543	23.936.210
Gross insurance claims paid	14	(22.273.278)	(14.716.353)
Reinsurers' share of gross insurance claims paid	14	15.487.858	10.307.104
Gross change in insurance contracts liabilities	14	(5.351.789)	2.422.963
Reinsurers' share of gross change in insurance contracts liabilities	14	4.008.652	(4.230.595)
Change in provision for unexpired risks reserve	14	117.387	462.149
Commission expense, direct expenses and discounts		(13.962.293)	(13.912.612)
Finance costs		(32.458)	(23.786)
Administrative expenses for insurance operations	4	(5.860.907)	(5.427.249)
Total expenses for insurance operations		(27.866.828)	(25.118.379)
Net revenue from insurance operations		(1.942.285)	(1.182.169)
Other income	5	4.857.924	3.802.713
Other operating and administrative expenses	5	(289.015)	(192.226)
Profit from operating activities before income tax	6	2.626.624	2.428.318
Income tax	6	7.577	3.377
Net profit for the year		2.634.201	2.431.695

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	2012 *US$*	*2011* *US$*
Net profit for the year	2.634.201	2.431.695
Other comprehensive income:		
Exchange differences on translation of Cyprus operations	316.899	(476.575)
Revaluation of land and buildings	868.419	468.272
Adjustment – depreciation for prior years (note 7)	463.674	-
	1.332.093	468.272
Retained earnings - depreciation of building for prior years (note 7)	(463.674)	-
Net gains/ (losses) on available-for-sale financial assets	4.343.663	(1.871.333)
Other comprehensive income/ (loss) after tax	5.528.981	(1.879.636)
Total comprehensive income for the year after tax	8.163.182	552.059

Trust International Insurance Company (Cyprus) Limited

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	*2012 US$*	*2011 US$*
ASSETS			
Non-current assets			
Property and equipment	7	8.437.527	7.357.974
Intangible assets	8	803.503	568.890
Available-for-sale investments	9	11.716.705	7.310.821
		20.957.735	15.237.685
Current assets			
Reinsurers' share of insurance contract liabilities	14	50.500.408	35.857.735
Deferred acquisition costs	3	2.149.673	1.646.626
Reinsurers' current accounts		3.409.730	1.304.699
Receivables from related companies	16	12.216.714	11.495.571
Premiums receivable		9.382.998	9.442.170
Other debtors and prepayments	11	1.002.380	548.055
Cash and cash equivalents	12	8.857.950	5.135.698
TOTAL ASSETS		108.477.588	80.668.239
CAPITAL AND LIABILITIES			
Capital and reserves			
Share capital	13	12.000.000	12.000.000
Equity contribution from parent	13	1.388.290	-
Available for sale reserve		(1.356.268)	(5.673.524)
Property revaluation reserve		5.142.950	3.735.462
Foreign currency translation reserve		(1.154.742)	(1.471.641)
Retained earnings		11.923.346	9.752.819
Total equity		27.943.576	18.343.116
Non-current liabilities			
Income received in advance		2.485.617	2.796.924
Current liabilities			
Insurance contract liabilities	14	64.000.860	46.054.245
Reinsurers' current accounts		4.556.257	5.574.294
Payables to related companies	16	4.442.110	2.517.082
Other creditors and accrued expenses	17	5.038.087	5.363.453
Income tax payable	15	11.081	19.125
		78.048.395	59.528.199
TOTAL EQUITY AND LIABILITIES		108.477.588	80.668.239

Frixos Savvides - Chairman

Mehran Eftekhar - Director

Christos Christodoulou - Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	Share Capital US$	*Provision for reduction of share capital US$*	*Equity contribution from parent US$*	*Share premium US$*	*Available for sale reserve US$*	*Property revaluation reserve US$*	*Foreign currency translation reserve US$*	*Retained earnings US$*	*Total US$*
At 1 January 2011	30.312.500	(20.445.000)	-	2.132.500	(3.791.584)	3.342.624	(995.066)	7.321.124	17.877.098
Profit for the year	-	-	-	-	-	-	-	2.431.695	2.431.695
Other comprehensive income after tax	-	-	-	-	(1.871.333)	468.272	(476.575)	-	(1.879.636)
Total comprehensive income for the year	-	-	-	-	(1.871.333)	468.272	(476.575)	2.431.695	552.059
Reduction in share capital	(18.312.500)	20.445.000	-	(2.132.500)	-	-	-	-	-
Exchange differences	-	-	-	-	(10.607)	(75.434)	-	-	(86.041)
At 31 December 2011	12.000.000	-	-	-	(5.673.524)	3.735.462	(1.471.641)	9.752.819	18.343.116
Profit for the year	-	-	-	-	-	-	-	2.634.201	2.634.201
Other comprehensive income after tax	-	-	-	-	4.343.663	1.332.093	316.899	(463.674)	5.528.981
Total comprehensive income for the year	-	-	-	-	4.343.663	1.332.093	316.899	2.170.527	8.163.182
Contribution of parent company in equity	-	-	1.388.290	-	-	-	-	-	1.388.290
Exchange differences	-	-	-	-	(26.407)	75.395	-	-	48.988
At 31 December 2012	12.000.000	-	1.388.290	-	(1.356.268)	5.142.950	(1.154.742)	11.923.346	27.943.576

As of 1 January 2003, companies which do not distribute at least 70% of their profits after tax, as defined by the Special Contribution for the defense of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 20% will be payable on such deemed dividend for the years 2011 and 2012 to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders. For the tax years 2010 and 2009 there was no such deemed distribution.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	Notes	2012 US$	2011 US$
Cash Flows from Operating Activities			
Net profit before income tax		2.626.624	2.428.318
Adjustments for:			
Depreciation of property and equipment and amortisation of intangible assets		550.489	1.008.068
Loss on disposal and write-offs of equipment		2.732	3.586
Exchange differences		(608.263)	276.976
Operating profit before working capital changes		2.571.582	3.716.948
Decrease in premium receivable		59.172	1.994.512
Increase in deferred acquisition costs		(503.047)	(719.952)
(Increase)/ decrease in other debtors and prepayments		(454.325)	703.771
Decrease/ (increase) in related companies		1.203.885	(4.709.839)
Increase in reinsurers' current accounts		(3.123.068)	(1.254.980)
(Increase)/ decrease in reinsurers' share of insurance contract liabilities		(14.642.673)	2.413.849
Increase in deposits with banks		(1.376.201)	(657.236)
Increase in insurance contract liabilities		17.946.615	1.438.105
(Decrease)/ increase in other creditors and accrued expenses		(325.366)	271.001
Cash generated from operations		1.356.574	3.196.179
Income tax (paid)/ refunded		(457)	3.377
Net cash flow from operating activities		1.356.117	3.199.556
Cash flows from investing activities			
Purchase of equipment		(365.936)	(278.060)
Purchase of computer software and other intangibles		(503.468)	(965.986)
Proceeds from disposals of equipment		3.874	179.587
Net cash flows used in investing activities		(865.530)	(1.064.459)
Cash flows from financing activities			
Exchange difference		778.481	(586.102)
Income received in advance		(311.307)	(40.283)
Equity contribution from parent		1.388.290	-
Net cash flows used in financing activities		1.855.464	(626.385)
Net increase in cash and cash equivalents		2.346.051	1.508.712
Cash and cash equivalents at 1 January		4.478.462	2.969.750
Cash and cash equivalents at 31 December	12	6.824.513	4.478.462

1. Corporate information

The financial statements of Trust International Insurance Company (Cyprus) Limited (the "Company") for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 2 April 2013.

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 and is a wholly owned subsidiary of Nest Investments Holdings Ltd.

The registered office of the Company is located at 284 Archbishop Makarios III Avenue, Fortuna Court Block B, 2nd floor, 3015 Limassol, Cyprus.

The Company is engaged in the general insurance business in Cyprus and carries out, through its branch in Jordan, reinsurance business and provides related consultancy services to other group companies.

Operating environment of the Company

The Cyprus economy has been adversely affected over the last two years by the international credit crisis and the instability in the financial markets. During 2012, there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected.

As a result, the Cyprus government entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), in order to receive financial assistance. On 25 March 2013, the Eurogroup has reached an agreement with the Cyprus government on the key elements for a supporting package to the country. The financial assistance that Cyprus will be receiving under the European Stability Mechanism (ESM) is up to €10 billion and is subject to a bank restructuring plan. The programme aims to address the exceptional challenges that Cyprus is facing and restore the viability of the financial sector, with the view of restoring sustainable growth and sound public finances over the coming years. Further information in respect of the agreement and the bank restructuring plan is presented in Note 22 Events after the reporting date.

The current economic conditions in Cyprus, the unavailability of financing, together with the overall negative economic growth, could affect (1) the ability of the Company's trade and other debtors to repay the amounts due to the Company, (2) the ability of the Company to offer its services to customers and could also have an impact on the cash flow forecasts of the Company's management and their assessment of impairment of financial and non-financial assets.

The Company's management has assessed:

(1) whether any impairment provisions are deemed necessary for the Company's financial assets carried at amortized cost by considering the economic situation and outlook at the end of the reporting period, such as bank deposits and trade receivables. Provisions for trade receivables are determined using the "incurred loss" model required by the applicable accounting standards.
These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

1. Corporate information (continued)

Operating environment of the Company (continued)

(2) The ability of the Company to continue as a going concern having regard to the above events and circumstances (refer to Note 2.5).

The Company's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

On the basis of the assessment performed, the Company's management has concluded that no provisions or impairment charges are necessary. The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

2. Summary of significant accounting policies

The significant accounting policies adopted in relation to information deemed important or essential to the results of the year and the presentation of the financial situation of the Company are listed below.

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings classified as property and available-for-sale financial assets that have been measured at fair value.

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

In addition, the financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113.

Functional and presentation currency of financial statements

The financial statements are presented in United States Dollars (US$) which is the presentation currency of the Company. The functional currency for the Head Office in Cyprus is the Euro and the functional currency for the Company's branch in Jordan is the United States Dollar.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as detailed below:

Application of new standards, interpretations and amendments to IFRS

As from 1 January of 2012, the Company adopted the following new standards, interpretations and amendments to IFRS:

- IFRS 1 First Time Adoption of IFRS (Amended) - Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amended)
- IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements
- IAS 12 Income Taxes (Amended) –Recovery of Underlying Assets

The adoption of the above did not have a material impact on the results and financial position of the Company.

2. Summary of significant accounting policies (continued)

2.3 Standards and interpretations that are issued but not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company have not early adopted, as follows:

Standards and interpretations issued by the IASB and adopted by the EU

Amendment to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
This amendment changes the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The amendment only affects the presentation and has no effect on the Company's financial position or activity. The Company is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

Amendment to IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Early application is permitted. The Group is in the process of assessing the impact of this amendment on its financial statements.

Amendment to IAS 27 Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)
As a result of the new standards IFRS 10, and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, joint ventures, and associates in separate financial statements. Earlier application is permitted. The Group is in the process of assessing the impact of this amendment on the Company's separate financial statements.

Amendment to IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)
As a result of the new standards IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Earlier application is permitted. The Company is in the process of assessing the impact of this amendment on the financial statements.

IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
The amendment clarifies the meaning of 'currently has a legally enforceable right of sett-off' and also clarifies the application of the criteria of IAS 32 for setting off on the settlement systems (such as central clearing systems) applying mixed settlement mechanisms which do not work simultaneously. The amendments of IAS 32 apply retrospectively. Earlier application is permitted. In cases a company decides to apply earlier application, it must disclose this event and to present all disclosures required by the amendments of IFRS 7 for offsetting financial assets and financial liabilities. . The Company is in the process of assessing the impact of this amendment on the financial statements.

IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013)
The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. The Company is in the process of assessing the impact of the amendment on the financial position or performance of the Company.

2. Summary of significant accounting policies (continued)

Standards and interpretations issued by the IASB and adopted by the EU (continued)

IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013 or 1 January 2014 for EU entities)
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Company does not expect that the new standard will have any impact on its financial statements.

IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013 or 1 January 2014 for EU entities)
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Company does not expect that the new standard will have any impact on its financial statements.

IFRS 12 Disclosures of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013 or 1 January 2014 for EU entities)
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Company does not expect that the new standard will have any impact on its financial statements.

IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted. The Company is in the process of assessing the impact of the new standard on its financial statements.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after 1 January 2013)
This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (striping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. Early application is permitted. The standard does not apply to the Company.

2. Summary of significant accounting policies (continued)

Standards and interpretations issued by the IASB but not yet adopted by the EU

IFRS 9 Financial Instruments — Classification and Measurement (effective for annual periods beginning on or after 1 January 2015)
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Phase 1 of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities using the FVO. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the first half of 2012. Early application is permitted. The Company is in the process of assessing the impact of the amendment on the financial statements of the Company.

Annual Improvements to IFRSs – 2009 – 2011 Cycle (effective for annual periods beginning on or after 1 January 2013)
The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The Company does not expect that the improvements will have any impact on its financial statements.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (effective for annual periods beginning on or after 1 January 2013)
The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application' in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. The Company does not expect that the guidance will have any impact on its financial statements.

2. Summary of significant accounting policies (continued)

Standards and interpretations issued by the IASB but not yet adopted by the EU (continued)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective for annual periods beginning on or after 1 January 2014)
The amendment applies to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. The Company does not expect that the guidance will have any impact on its financial statements.

2.4 Classification of insurance products

The Company issues only insurance contracts. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Once a contract has been classified as an insurance contract, it remains an insurance contract until the fulfilment or expiration of all the rights and obligations arising from the contract, even if the insurance risk reduces significantly during the period of the insurance contract.

2.5 Significant judgments and estimates

The preparation of the financial statements in accordance with IFRSs, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date. Actual results may vary from these current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the income statement in the periods in which they become known.

The main assumptions and estimates concerning the future on the reporting date that pose a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year relate to:

Going concern
The Company's management has assessed the ability of the Company to continue as a going concern. In making this assessment, the Company's management has also considered the current economic situation in Cyprus and the Cyprus / Eurogroup agreement of 25 March 2013 and the potential impact on the Company's operating environment and financial position – refer to Notes 1 and 20.

The management have a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Summary of significant accounting policies (continued)

2.5 Significant judgments and estimates (continued)

Insurance business contracts
For the insurance business contracts, estimates are made for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The estimation of the liabilities is based on past experience and market trends.

Fair value of debt securities and equity shares
The fair value of debt securities and equity shares that are not quoted in an active market is determined using valuation models. These models are validated and periodically reviewed by qualified personnel.

To the greatest extent possible, models use observable data, as well as factors such as the determination of credit risk and volatilities which require management to make estimates and assumptions. Changes in these estimates and assumptions could affect the reported fair value of the relevant financial instruments.

Income Taxes
The Company operates and is therefore subject to taxation in Cyprus. Estimates are required in determining the provision for taxes at the reporting date, and therefore the tax determination is uncertain. Where the final tax is different from the amounts that were initially recorded, such differences will impact the income tax expense, the tax liabilities and deferred tax liabilities of the period in which the final tax is agreed with the tax authorities.

2.6 Underwriting results

Premiums from insurance contracts issued by the Company are recognised when they become due in accordance with the conditions set out in the insurance contracts. Reinsurance premiums are recognised in relation to the respective insurance premiums and in accordance with the conditions set out in the relevant reinsurance contracts held by the Company.

Underwriting results are determined after taking into account provisions for outstanding claims, unearned premiums, deferred acquisition costs and unexpired risks, as follows:

Outstanding claims
Full provision is made for the estimated cost of all claims arising from valid insurance contracts that were in force when the insured incident occurred that affected the policyholder negatively.

The provision is estimated separately for each reported claim. Provision is also made for claims incurred but not enough reported (IBNER) and claims incurred but not reported (IBNR) by the reporting date. The past experience as to the number and amount of claims reported after the reporting date is not yet adequate, therefore the Ultimate Loss Ratio methodology is used in estimating the IBNER and IBNR provisions.

Claims settlement costs are included in the estimation of the provision for outstanding claims.

Recoverable amounts arising out of the acquisition of the rights of policyholders with respect to third parties (subrogation) or of the legal ownership of insured property (salvage), are deducted from the provision.

2. Summary of significant accounting policies (continued)

2.6 Underwriting results (continued)

Unearned premiums
The provision for unearned premiums represents the amount of premium income and reinsurance premiums attributable to the period of risk after the reporting date. The provision for direct business is computed using the method of 365^{th}, according to which the earned and unearned premiums are calculated on a daily period apportionment basis. The provision for reinsurance business is computed using the method of 24^{th}.

Deferred acquisition costs
Deferred acquisition costs represent commissions and other expenses for insurance contracts written during the financial year but relating to a subsequent financial year and are calculated on a basis compatible with that used to determine unearned premiums.

Liability adequacy test (unexpired risks)
At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition cost assets, using current estimates of future contractual cash flows. Any inadequacy is charged to the income statement by establishing an unexpired risk provision.
The unexpired risk reserve is calculated based on claims and administration expenses that may arise after the reporting date and relates to premiums that concluded after that date, to the extent that the likely amount exceeds the reserve for unearned premiums, net of any deferred acquisition costs.

Fee and commission income
Policyholders are charged for policy administration services. The fee is recognised in the income statement on the same basis as the relevant insurance premiums.

Commissions receivable from reinsurers are recognised on the accruals basis.

2.7 Foreign currency translation

The financial statements are presented in United States Dollars (US$), which is the functional and presentation currency of the Company. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to United States Dollars (US$) at the rate of exchange ruling at the reporting date. All differences arising on translation are taken to the income statement, with the exception of differences on foreign currency liabilities that provide a hedge against a net investment in a foreign entity. These are taken directly to the foreign exchange differences reserve until the disposal of the net investment, at which time they are transferred to the income statement.

2.8 Interest income

Interest income is recognised as the interest accrues, taking into account the effective yield on the asset.

2.9 Rental income

Rental income from investment property is accounted for on a straight-line basis over the lease term.

2. Summary of significant accounting policies (continued)

2.10 Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2.11 Finance costs

Finance costs include interest expense and bank charges, which are recognised as they accrue.

2.12 Retirement benefits

The Company operates a defined contribution retirement plan that requires the payment of contributions to a separately administered fund (funded scheme).

The cost of providing benefits under the defined contribution plan is recognised in the income statement on an accruals basis.

2.13 Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents consist of cash at banks and at hand and short term deposits with an original maturity of three months from the date of acquisition.

2.14 Investments

Investments are classified as available for sale. The decision for the classification is made at the date of acquisition.

Investments intended either to be held until maturity or to be sold in response to changes in interest rates or market risks, liquidity requirements or changes in exchange rates are classified as available for sale.

All investments are initially measured at fair value including all directly attributable transaction costs.

All regular way purchases and sales of investments are recognised at the trade date, which is the date that the Company commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward contracts until settlement.

Investments are derecognised when the contractual rights to the cash flows expire or when the Company transfers substantially all the risks and rewards of ownership.

After initial recognition available for sale investments are measured at fair value, based on quoted bid prices for listed securities. The fair value of unlisted securities is estimated using appropriate models and valuation methods and/or on the basis of the investee's financial results, conditions and prospects compared to similar companies for which quoted market prices are available.

Gains and losses arising from changes in the fair value of available for sale investments are recognised in equity. In case of sale or impairment, the profit or loss recognised in equity is transferred to the income statement.

Investments in equity shares available for sale are impaired if the decline in their fair value is significant or prolonged. Investments in bonds available for sale are impaired when there is objective evidence that the full amount of the investment will not be received. The amount of the impairment loss for debt securities is the difference between cost/impaired value and fair value.

2. Summary of significant accounting policies (continued)

2.14 Investments

Impairment losses on investments in debt securities previously recognised in the income statement are reversed through the income statement. Impairment losses on investments in equity shares are not reversed through the income statement. Potential increases in the fair value following impairment are recognised in the revaluation reserve.
Interest earned on debt securities is reported as interest income in the period in which the investments are held. Dividend income from equity shares is recognised when the shareholders' right to receive the payment is established.

2.15 Balances with reinsurers

The Company cedes the risks from insurance contracts made in the normal course of business. Amounts due from reinsurers include the reinsurers' share of insurance contracts liabilities and are estimated based on the terms of the reinsurance contracts.

Amounts due from reinsurers are reviewed for impairment and are impaired when there is objective evidence that the Company may not collect all amounts due under the terms of the reinsurance contract.

2.16 Premiums receivable and other debtors

Premiums receivable and other debtors are presented in the statement of financial position net of specific provisions for doubtful debts which may arise in the ordinary course of business.

A specific provision is made where there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is estimated as the difference between the carrying amount and its estimated recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

2.17 Property and equipment

Owner-occupied property is property held by the Company for use in the supply of services or for administrative purposes.

Owner-occupied property is initially measured at cost and subsequently measured at fair value. Valuations are carried out annually by independent qualified valuers. On disposal of freehold land and buildings, the relevant revaluation reserve balance is transferred to retained earnings. The building is depreciated at an annual rate of 2%.

Equipment is measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on cost on a straight line basis over its estimated useful life, using the following annual rates:

Furniture and office equipment	10%/ 20%
Computer equipment	20%
Motor vehicles	15%

Leasehold improvements are depreciated at an annual rate of 25%.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2. Summary of significant accounting policies (continued)

2.18 Investment property

Investment property is property held by the Company to earn rentals and/or for capital appreciation. If a property of the Company includes a portion that is owner-occupied and another portion that is held to earn rentals and/or for capital appreciation, the classification is based on whether or not these portions can be sold separately. Otherwise, the whole property is classified as owner-occupied property unless the owner-occupied portion is insignificant. The classification of property is reviewed on a regular basis to account for major changes in its use.

Investment property is initially recognised at cost, which includes transaction costs and is measured at fair value at the reporting date. Gains or losses arising from changes in fair value are included in the income statement. The valuations are carried out by independent qualified valuers.

2.19 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any impairment in value.

Amortisation is calculated on cost on a straight-line basis over the estimated useful life of the assets, of 3 years for computer software and 5 years for recruitment bonuses. The cost of rebranding and image was fully written off in the year of acquisition.

At the reporting date the carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. When the carrying values exceed the estimated recoverable amount, intangible assets are written down to their recoverable amount.

2.20 Income tax

Income tax is estimated in accordance with the fiscal regulations and rates, which apply in the countries where the Company carries on its operations and is recognised as an expense in the period in which the income arises. Deferred tax is provided using the liability method.

Deferred income tax liabilities are recognised for all taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date for financial reporting purposes, which will result in taxable amounts in future periods.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unutilised tax losses to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and carry-forward of unutilised tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise all or part of the deductible temporary differences or tax losses.

Deferred income tax liabilities and assets are measured at the amount that is expected to be paid or recovered from the tax authorities after taking into account the tax rates and legislation that have been enacted or substantially been enacted by the reporting date.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

2. Summary of significant accounting policies (continued)

2.21 Provisions for pending litigation or claims

Provisions for pending litigation or claims against the Company are recognised when: (a) there is a present obligation (legal or constructive) arising from past events, (b) its settlement is expected to result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made.

2.22 Comparative amounts

Comparative amounts were restated to conform with the presentation adopted in the current reporting period.

3. General insurance business

***Earned premium income and reinsurance premiums** (Note 14)*

	2012 US$	*2011 US$*
Total gross premiums	66.563.801	51.190.696
Change in the provision for unearned premiums	(12.712.213)	(4.323.217)
Gross earned premiums	53.851.588	46.867.479
Total reinsurance premiums	(49.757.630)	(37.215.911)
Change in the provision for unearned reinsurance premiums	10.634.021	1.816.746
Earned reinsurance premiums	(39.123.609)	(35.399.165)
Net earned premiums	14.727.979	11.468.314

Deferred acquisition costs

	2012 US$	*2011 US$*
1 January	1.646.626	926.674
Deferred acquisition costs for the year	(12.985.863)	(12.822.363)
Acquisition costs charged to the income statement	13.488.910	13.542.315
31 December	2.149.673	1.646.626

3. General insurance business (continued)

The following additional information are disclosed for direct business in Cyprus, in accordance with the Accounting Orders issued under section 87(2) of the Laws on Insurance Services and other Related issues:

	Accident and health class €	*Motor Vehicle liability class* €	*Motor Vehicle, other classes* €	*Ships, goods in transit and aircraft liability class* €	*Fire and natural forces and other damage to property class* €	*General liability class* €	*Credit and guarantee* €	*Miscellaneous financial loss legal expenses and assistance class* €	*Total 2012* €	*Total 2011* €
Gross premiums written	1.099.282	8.356.738	2.566.253	49.510	2.348.820	1.175.838	-	6.177	15.602.618	11.699.332
Reinsurers' share of Gross premiums Written	39.688	297.177	65.591	33.165	1.181.699	66.376	-	1.571	1.685.267	1.206.596
Gross earned premiums	1.011.193	7.623.803	2.366.568	35.992	2.109.464	944.035	-	3.386	14.094.441	9.539.985
Gross outstanding claims	108.363	1.935.551	1.021.219	30.354	126.876	214.047	-	-	3.436.410	2.505.589
Gross claims incurred	411.783	3.178.034	2.019.322	30.085	501.126	72.456	-	-	6.212.806	4.521.322
Gross claims charges	363.503	2.407.316	1.902.591	85	586.167	22.322	-	-	5.281.984	3.037.844
Gross operating expenses – other than commissions	230.628	2.042.024	450.703	10.333	502.343	242.556	-	1.323	3.479.910	2.483.982
Commissions	174.404	1.534.094	819.215	5.311	428.147	171.422	-	636	3.133.229	2.189.713
Reinsurers' share of insurance contracts liabilities	12.623	-	-	26.287	315.444	20.069	-	1.145	375.568	371.897

During the year 2012, 1.938 (2011: 1.353) claims were incurred relating to the motor vehicle liability class, of which 529 (2011: 401) were outstanding at 31 December 2012, and their average cost was €1.302 (2011: €1.337).

4. Administrative expenses for insurance operations

	2012	*2011*
Staff costs:	*US$*	*US$*
Salaries	2.933.036	2.434.251
Employer's contributions for social insurance etc.	191.667	157.265
Retirement benefit plan costs	62.625	22.328
Other staff costs	435.699	414.339
	3.623.027	3.028.183
Professional fees	120.652	112.114
Selling and advertising costs	472.878	338.201
Rent payable for operating leases of land and buildings	176.881	169.257
Electricity, heating and water	90.618	79.053
Insurance, taxes and maintenance of building	97.630	109.496
Maintenance of office equipment	37.339	40.091
Computer expenses	54.647	31.566
Printing and stationery	111.934	111.034
Telephone expenses	94.715	73.427
Postages and courier expenses	28.741	23.090
Subscriptions	17.294	36.632
Entertainment expenses	33.902	30.149
Travelling expenses	75.778	48.016
Motor vehicle expenses	63.804	71.307
Storage expenses	73.618	4.288
Other	13.828	15.122
Exchange loss	40.233	-
Provision for doubtful debts	82.899	98.155
Depreciation of property and equipment	276.022	182.189
Amortisation of intangible assets	274.467	825.879
	5.860.907	5.427.249

Total staff costs for the year are included in "Administrative expenses for insurance operations" in the income statement.

The number of employees of the Company as at 31 December 2012 was 86 persons (31 December 2011: 70).

Retirement benefit plan costs

	2012	*2011*
	US$	*US$*
Plans		
Defined contribution	62.625	22.328
	62.625	22.328

The Company operates since August 2011 a retirement benefit plan covering all of its permanent employees in Cyprus totalling 38 employees (31 December 2011: 29). The plan is funded and held in separately administered funds.

5. Other income and other operating and administrative expenses

	2012	*2011*
Other income	*US$*	*US$*
Income from treaties (reinsurance business)	4.220.481	3.145.060
Dividend income	290.445	309.114
Management and consulting fee income from group companies	184.318	216.752
Fee income from management of Group Insurance Pool	134.080	121.588
Other fee income	25.471	3.885
Other interest income	3.129	6.314
	4.857.924	3.802.713
Other operating and administrative expenses		
Director's fees	83.283	84.738
Loss on disposal and write-off of assets	2.732	3.586
Professional fees	203.000	103.902
	289.015	192.226

Professional fees include fees (including taxes) of independent auditors of Ernst &Young, for audit and other professional services rendered to the Company, by Ernst & Young Cyprus Ltd and their associates internationally, as follows:

	2012	*2011*
	US$	*US$*
Fees for the audit of the financial statements	49.300	35.685
Fees for other services of audit nature	9.420	9.280
Fees for tax services	1.542	1.667
Fees for tax services – prior years	6.572	-
	66.834	46.632

6. Income tax

	2012	*2011*
	US$	*US$*
Income Statement		
Current income tax		
Prior years' tax adjustments	(7.577)	(3.377)
Income tax income as reported in the income statement	(7.577)	(3.377)

The reconciliation between income tax expense and profit before income tax, as estimated using the current tax rates, is set out below:

	2012	*2011*
	US$	*US$*
Profit from operating activities before income tax	2.626.624	2.428.318
Tax at Cyprus statutory income tax rate 10%	262.662	242.832
Tax effect of profits not subject to Cyprus tax	(277.855)	(298.907)
Tax effect of expenses not deductible	56.217	35.871
Tax effect of PPE and intangible assets allowances	(15.399)	(10.608)
Tax effect of losses to be carried forward	-	30.814
Tax effect of losses utilised during the year	(25.626)	-
Adjustment in respect of current income tax of previous year	(7.577)	(3.377)
Income tax for the year	(7.577)	(3.377)

6. Income tax (continued)

Corporation tax in Cyprus is calculated at the rate of 10% on the taxable income of the year (2011: 10%). Defence contribution is calculated at the rate of 3% on rental income.

At 31 December 2012, the Company had tax losses amounting to €2.242.244 or US$2.883.750 (2011: €2.612.242) which are available to be set off against future taxable profits. The set off is carried forward for relief over the next five year period. Tax losses for 2011 amounting to €160.387 were surrendered to another group company.

Refer to the table below for the breakdown of taxable losses available for relief:

Year	*US$*
2008	293.338
2009	1.340.633
2010	1.171.515
2011	78.264
2012	-
	2.883.750

7. Property and equipment

	Property	*Leasehold improvements*	*Motor vehicles*	*Computer hardware*	*Furniture equipment*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
2012						
Cost or Valuation						
1 January	6.819.514	89.899	477.952	291.908	479.667	8.158.940
Revaluation	868.419	-	-	-	-	868.419
Additions	-	87.850	42.712	117.138	118.236	365.936
Disposal and write-offs	-	-	-	(4.593)	(5.987)	(10.580)
Exchange difference	128.283	1.814	4.344	3.645	5.790	143.876
31 December	7.816.216	179.563	525.008	408.098	597.706	9.526.591
Depreciation						
1 January	-	62.570	308.355	215.690	214.351	800.966
Charge for the year	64.210	43.949	52.356	54.687	60.820	276.022
Disposals and write-offs	-	-	-	(2.328)	(1.646)	(3.974)
Exchange difference	1.376	2.205	2.858	3.243	6.368	16.050
31 December	65.586	108.724	363.569	271.292	279.893	1.089.064
Net book value						
31 December	7.750.630	70.839	161.439	136.806	317.813	8.437.527

7. Property and equipment (continued)

	Property	*Leasehold improvements*	*Motor vehicles*	*Computer hardware*	*Furniture equipment*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
2011						
Cost or Valuation						
1 January	6.497.884	91.975	426.979	416.801	432.982	7.866.621
Revaluation	468.272	-	-	-	-	468.272
Additions	-	-	112.261	72.376	93.423	278.060
Disposal and write-offs	-	-	(57.462)	(193.576)	(40.951)	(291.989)
Exchange difference	(146.642)	(2.076)	(3.826)	(3.693)	(5.787)	(162.024)
31 December	6.819.514	89.899	477.952	291.908	479.667	8.158.940
Depreciation						
1 January	-	41.022	262.737	251.904	201.089	756.752
Charge for the year	-	24.267	59.571	46.289	52.062	182.189
Disposals and write-offs	-	-	(9.910)	(88.686)	(23.691)	(122.287)
Exchange difference	-	(2.719)	(4.043)	6.183	(15.109)	(15.688)
31 December	-	62.570	308.355	215.690	214.351	800.966
Net book value						
31 December	6.819.514	27.329	169.597	76.218	265.316	7.357.974

All property is freehold and is shown at valuation carried out by independent qualified valuers at 31 December 2012. The cumulative revaluation surplus amounted to US$5.142.950 (2011: US$3.735.462) and is included in the property revaluation reserve. The historical cost of property amounts to US$3.630.718.

During the year, the Company reclassified an amount of US$463.674 representing prior year accumulated depreciation from the revaluation reserve to retained earnings, in respect of its building in Amman. The charge for the year 2012 has been recognised in the income statement.

All property is used for the Company's business purposes.

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2012 would have amounted to US$3.228.052 (2011: US$3.268.319).

8. Intangible assets

	Computer software	*Recruitment bonuses*	*Rebranding & image cost*	*Total*
	US$	*US$*	*US$*	*US$*
2012				
Cost or Valuation				
1 January	320.247	725.818	604.885	1.650.950
Additions	78.254	434.555	-	512.809
Disposals and write offs	-	(9.341)	-	(9.341)
Exchange difference	2.240	14.650	-	16.890
31 December	400.741	1.165.682	604.885	2.171.308
Depreciation				
1 January	243.291	233.884	604.885	1.082.060
Charge for the year	38.129	236.338	-	274.467
Disposals and write offs	-	-	-	-
Exchange difference	1.490	9.788	-	11.278
31 December	282.910	480.010	604.885	1.367.805
Net book value				
31 December	117.831	685.672	-	803.503

	Computer software US$	*Recruitment bonuses US$*	*Rebranding & image cost US$*	*Total US$*
2011				
Cost or Valuation				
1 January	305.883	436.620	-	742.503
Additions	62.049	299.052	604.885	965.986
Disposals and write offs	(46.556)	-	-	(46.556)
Exchange difference	(1.129)	(9.854)	-	(10.983)
31 December	320.247	725.818	604.885	1.650.950
Depreciation				
1 January	212.982	91.919	-	304.901
Charge for the year	65.467	155.527	604.885	825.879
Disposals and write offs	(33.085)	-	-	(33.085)
Exchange difference	(2.073)	(13.562)	-	(15.635)
31 December	243.291	233.884	604.885	1.082.060
Net book value				
31 December	76.956	491.934	-	568.890

9. Available for sale investments

	2012 *US$*	*2011* *US$*
Equity shares		
Listed on the Cyprus Stock Exchange	206	255
Listed on Qatar Stock Exchange (note (a))	3.566.704	4.228.069
Listed on Jordan Stock Exchange (note (b))	8.149.795	3.082.497
	11.716.705	7.310.821

Income from investments amounted to US$290.445 (2011: US$309.114) and is included in "Other income" in the income statement. The movement for the years 2012 and 2011 respectively is summarised below:

	Cost *2012* *US$*	*Exchange differences* *2012* *US$*	*Revaluation* *2012* *US$*	*Carrying amount* *2012* *US$*	*Carrying amount* *2011* *US$*
Equity shares available for sale					
1 January	13.491.938	(507.593)	(5.673.524)	7.310.821	9.294.147
Revaluation	-	-	4.343.663	4.343.663	(1.871.333)
Exchange difference	-	88.628	(26.407)	62.221	(111.993)
31 December	13.491.938	(418.965)	(1.356.268)	11.716.705	7.310.821

The investments are measured at fair value and are based on quoted prices in active markets. In the absence of volume in the markets, the investments are valued using valuation models.

Note (a) - The Company's parent, Nest Investment Holdings Ltd, has committed to acquire this investment at its acquisition cost during the year 2013. On this basis, management's position is that the decline in fair value should not be recognised as an impairment loss, as the recoverable amount equals cost.

Note (b) –Management has prepared an analysis on the basis of which the market in Amman is not active for this particular instrument. Therefore, the investment for 2012 was valued using its net asset value per share which is considered a more appropriate basis, given that most of the assets of the investee company are measured at fair value (level 3).

Fair value hierarchy

The Company 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 that have a significant effect on the recorded fair value are observable, either directly or indirectly

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

As at 31 December 2012, the Company held the following financial instruments carried at fair value in the statement of financial position:

2012	*Level 1* *US$*	*Level 2* *US$*	*Level 3* *US$*	*31 December* *US$*
Available for sale investments	3.566.910	-	8.149.795	11.716.705
2011				
Available for sale investments	7.310.821	-	-	7.310.821

10. Deposits with banks

Description	*Maturity*	*Interest rate*	*2012 US$*	*2011 US$*
Current accounts		0%-3,50%	5.237.449	2.958.554
Term deposits	0-3 months	3,38%-4,70%	1.531.125	1.443.601
Term deposits	4-6 months	4,65%-4,80%	1.067.520	-
Term deposits	7-12 months	4,20%-5,00%	965.917	657.236
			8.802.011	5.059.391

An amount of US$162.517 or €121.790 is blocked as security for letters of guarantee in favor of several beneficiaries relevant to offers for insurance services (2011: US$8.227 or €6.290). For credit and counterparty risk exposure refer to note 20 Risk Management.

11. Other debtors and prepayments

	2012 US$	*2011 US$*
Other debtors	593.340	232.077
Prepayments and deposits	235.707	189.219
Amounts receivable from Cyprus Hire Risk Pools	135.528	92.092
Amounts receivable from Group Insurance Pools	31.749	31.749
Investment income receivable	6.056	2.918
	1.002.380	548.055

Other debtors and prepayments represent balances that are repayable during the normal course of the Company's operations and are interest-free.

12. Cash and cash equivalents

Cash and cash equivalents comprise of:

	2012 US$	*2011 US$*
Cash with banks *(Note 10)*	5.237.449	2.958.554
Term deposits with banks *(Note 10)*	3.564.562	2.100.837
Cash in hand	55.939	76.307
	8.857.950	5.135.698

13. Share capital

	2012 Shares	*2012 US$*	*2011 Shares*	*2011 US$*
Authorised				
12.000.000 Shares of US$1 each	12.000.000	12.000.000	12.000.000	12.000.000
Issued and fully paid				
12.000.000 Shares of US$1 each	12.000.000	12.000.000	12.000.000	12.000.000

On 20 January 2011, the Company reduced its issued and fully paid share capital to 12.000.000 ordinary shares of US$1 each. The parent company has provided a confirmation that the credit balance of US$1.388.290 due to them by the Company, will not be called for payment and is considered subordinated for the purposes of increasing the Company's capital.

14. General insurance contract liabilities

	2012			2011		
	Insurance Contract Liabilities	*Reinsurers' share of liabilities*	*Net liabilities*	*Insurance Contract Liabilities*	*Reinsurers' share of liabilities*	*Net liabilities*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Provision for outstanding claims reported	26.195.197	22.088.206	4.106.991	20.970.572	18.079.554	2.891.018
Provisions for claims incurred but not enough reported (IBNER)	504.661	-	504.661	378.575	-	378.575
Provisions for claims incurred but not reported (IBNR)	188.119	-	188.119	187.041	-	187.041
Total outstanding claims	26.887.977	22.088.206	4.799.771	21.536.188	18.079.554	3.456.634
Provision for unearned premiums	37.094.771	28.412.202	8.682.569	24.382.558	17.778.181	6.604.377
Provision for unexpired risks reserve	18.112	-	18.112	135.499	-	135.499
Total general insurance contract liabilities	64.000.860	50.500.408	13.500.452	46.054.245	35.857.735	10.196.510

The provisions for outstanding claims reported by policyholders, claims incurred but not enough reported (IBNER) and claims incurred but not reported (IBNR) are analysed as follows:

	2012			2011		
	Insurance contract liabilities	*Reinsurers' share of liabilities*	*Net liabilities*	*Insurance contract liabilities*	*Reinsurers' share of liabilities*	*Net liabilities*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
1 January	(21.536.188)	(18.079.554)	(3.456.634)	(23.959.151)	(22.310.149)	(1.649.002)
Provision for the year	26.150.887	24.679.902	1.470.985	30.778.986	30.082.599	696.387
Claims paid during the year	22.273.278	15.487.858	6.785.420	14.716.353	10.307.104	4.409.249
31 December	26.887.977	22.088.206	4.799.771	21.536.188	18.079.554	3.456.634

14. General insurance contract liabilities (continued)

The provision for unearned premiums is analysed as follows:

	2012			2011		
	Insurance contract liabilities US$	*Reinsurers' share of liabilities US$*	*Net liabilities US$*	*Insurance contract liabilities US$*	*Reinsurers' share of liabilities US$*	*Net liabilities US$*
1 January	24.382.558	17.778.181	6.604.377	20.059.341	15.961.435	4.097.906
Premiums written during the year	66.563.801	49.757.630	16.806.171	51.190.696	37.215.911	13.974.785
Premiums earned for the year	(53.851.588)	(39.123.609)	(14.727.979)	(46.867.479)	(35.399.165)	(11.468.314)
31 December	37.094.771	28.412.202	8.682.569	24.382.558	17.778.181	6.604.377

The provision for unexpired risks reserve is analysed as follows:

	2012			2011		
	Insurance contract liabilities US$	*Reinsurers' share of liabilities US$*	*Net liabilities US$*	*Insurance contract liabilities US$*	*Reinsurers' share of liabilities US$*	*Net liabilities US$*
1 January	135.499	-	135.499	597.648	-	597.648
Provision for the year	(117.387)	-	(117.387)	(462.149)	-	(462.149)
31 December	18.112	-	18.112	135.499	-	135.499

15. Income tax payable

Income taxes payable comprise of:

	2012 US$	*2011 US$*
Income tax payable	-	8.044
Defence contribution payable	11.081	11.081
	11.081	19.125

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.

16. Related party transactions

Balances due from/ (to) related parties as at 31 December 2012, were as follows:

	2012	*2011*
	US$	*US$*
Premiums receivable from related companies	2.748.668	4.698.803
Premiums receivable from parent company	13.714	12.065
Premiums receivable from/ (to) directors	(286)	1.153
Receivables from related companies	12.216.714	11.495.571
Payables to related companies	(4.442.110)	(2.517.082)

Income/ (expenses) from related party transactions in the years ended 31 December, were as follows:

	2012	*2011*
	US$	*US$*
Gross premiums ceded by related companies	47.726.997	36.185.807
Gross premiums ceded to related parties	171.000	401.911
Direct insurance premiums with directors	31.993	27.710
Direct insurance premiums with parent company	11.883	15.298
Rent, utilities and other expenses charged to parent company	38.362	40.052
Internal audit fees charged by parent company	(70.045)	(48.310)
Other services/ expenses charged by parent company	(8.687)	(7.835)
Commissions paid to related companies	(8.935.705)	(9.652.566)
Claims paid to related companies	(15.372.893)	(10.426.005)
Fees from related companies	4.568.625	3.497.650

The compensation of the Directors and the Chief Executive Officer for the years ended 31 December was as follows:

	2012	*2011*
	US$	*US$*
Directors		
Fees	83.283	84.738
Chief Executive Officer		
Salary and other short term benefits	191.387	201.253
Employer's contributions for social insurance, etc.	12.226	10.138
Retirement benefit plan costs	8.833	3.802
	212.446	215.193

17. Other creditors and accrued expenses

	2012	*2011*
	US$	*US$*
Amounts due to reinsurers for premium reserve retained	355.763	177.827
Amounts payable to Group Insurance pools/ funds	3.004.819	2.259.429
Amounts due to claimants	381.617	156.421
Motor Insurers Fund	158.288	128.036
Provision for expenses	533.419	513.700
Other provisions and reserves	456.446	913.620
Other creditors	147.735	1.214.420
	5.038.087	5.363.453

Other creditors and accrued expenses represent balances that are repayable during the normal course of the Company's operations and are interest-free, with the exception of premium reserve retained which bears an interest rate according to the terms of each treaty.

18. Fair values of financial instruments

Fair value is the amount which an asset could be exchanged for, or a liability settled at an arm's length transaction.

As the majority of the assets and liabilities are either short-term or are carried at fair value, management is of the opinion that the fair value of financial instruments is approximately equal to their carrying amount.

19. General insurance contract liabilities – terms and conditions, assumptions and sensitivity of results

The Company is engaged in general insurance business in respect of the business classes mentioned in Note 3.

Risks under these policies usually cover a period of 12 months, with the exception of the travel and goods in transit business classes that cover shorter periods and the business class for contractors insuring all risks that covers longer periods.

The liabilities for outstanding claims arising from insurance contracts issued by the Company are calculated based on estimates by loss adjusters and facts known at the reporting date. With time, these estimates are reconsidered and any adjustments are recognised in the financial statements of the period in which they arise.

The principal assumptions underlying the estimates for each claim are based on past experience and market trends and they take into consideration claims handling costs, inflation and claim numbers for each accident year. Also external factors that may affect the estimate of claims, such as recent court rulings and the introduction of new legislation are taken into consideration.

The insurance contract liabilities are sensitive to changes in the above key assumptions. The sensitivity of certain assumptions, such as the introduction of new legislation and the rulings of certain court cases, is very difficult to be quantified. Furthermore, the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement increase the uncertainty over the cost of claims at the reporting date.

The table below demonstrates the development of claims estimates over the last five years for direct business in Cyprus. In addition the reconciliation of these estimates with the total liability included in the statement of financial position of the current year is demonstrated below:

2012

	2008 and prior years	*2009*	*2010*	*2011*	*2012*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Year of loss	192.211	329.688	2.581.961	5.217.352	7.518.930	15.840.142
After a year	(33.361)	17.355	410.460	375.145	-	769.599
After two years	(21.871)	547	148.663	-	-	127.339
After three years	-	3.488	-	-	-	3.488
Present estimate for claim	136.979	351.078	3.141.084	5.592.497	7.518.930	16.740.568
Total payments	(136.979)	(333.729)	(2.583.414)	(4.807.696)	(5.020.970)	(12.882.788)
Total outstanding claims	-	17.349	557.670	784.801	2.497.960	3.857.780
Share of reinsurers	-	-	-	(45.583)	(39.605)	(85.188)
Net liability	-	17.349	557.670	739.218	2.458.355	3.772.592

19. General insurance contract liabilities – terms and conditions, assumptions and sensitivity of results (continued)

2011

	2008 and prior years	*2009*	*2010*	*2011*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*
Year of loss	192.211	323.165	2.530.879	5.114.131	8.160.386
After a year	(33.361)	17.012	402.339	-	385.990
After two years	(21.871)	536	-	-	(21.335)
Present estimate for claim	136.979	340.713	2.933.218	5.114.131	8.525.041
Total payments	(136.979)	(300.361)	(2.215.805)	(3.160.202)	(5.813.347)
Total outstanding claims included in the statement of financial position	-	40.352	717.413	1.953.929	2.711.694
Share of reinsurers included in the statement of financial position	-	(1.028)	(15.662)	(62.721)	(79.411)
Net liability included in the statement of financial position	-	39.324	701.751	1.891.208	2.632.283

20. Risk management

The Company, in the ordinary course of business, is exposed to a variety of risks, the most important of which are insurance risk, fluctuations in the prices of investments, exchange and interest rates, liquidity risk and credit risk.

These risks are identified, measured and monitored through various control mechanisms in order to prevent undue risk concentrations.

Insurance Risk

The risk of an insurance policy occurs from the uncertainty of the amount and time of presentation of the claim. Therefore the level of risk is determined by the frequency of such claims, by the severity and their evolution from one period to the next.

For the general insurance industry, the major risks are the results of major catastrophic events such as natural disasters. These risks vary depending on location, type and nature. The variability of risks is mitigated by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected by changes in any subset of the portfolio. The exposure of the Company to insurance risks is also reduced by the following measures:

- Introduction of strict underwriting policies
- Strict review of all claims that occur
- Immediate assessment and processing of claims to minimise the possibility of negative development in the long run, and
- Use of effective reinsurance arrangements in order to limit exposure to catastrophic events.

Market risk

Market risk is the risk of loss arising from adverse movements in exchange rates, interest rates and security prices.

20. Risk management (continued)

Interest rate risk

Interest rate risk arises as a result of timing differences on the repricing of deposits and other investments and interest-bearing liabilities. The Company closely monitors interest rate movements and the repricing maturity structure of assets and liabilities which are subject to changes in interest rates or have fixed rates.

Interest rate risk is measured using interest rate sensitivity gap analysis where the difference between assets and liabilities repricing in each time band is calculated. This difference is then multiplied with the assumed change in interest rates for the period from the repricing date until twelve months from the date of the analysis, in order to find the annual impact on earnings of any changes in interest rates for the next twelve months.

The table below indicates the effect on the Company's net interest income, over a one-year period, from reasonably possible changes in the interest rates:

Changes in interest rates	*Effect on the Company's net interest income*
2012	*US$*
+ 0,5%	4.800
- 0,5%	(4.800)
2011	
+ 0,5%	1.730
- 0,5%	(1.730)

Currency risk

The risk of changes in currency rates occurs when the Company has an open currency position in any currency and is the risk of losses from adverse changes to the exchange rates. This relates mainly to investments in debt securities and shares denominated in foreign currencies and the risk is restricted since the investments are restricted in predetermined levels.

The below table presents an analysis of the Company's assets and liabilities by currency as at 31 December 2012.

The Jordanian Dinar is pegged to the US Dollar and therefore not sensitive to changes in exchange rates. The most significant currency in 'Other currencies' is the Quatari Riyal, which is also pegged to the US Dollar. The net exposure in Euro is not material.

20. Risk management (continued)

***Currency risk** (continued)*

Analysis of financial assets and liabilities by currency

31 December 2012	*Balances in Jordanian Dinars*	*Balances in United States Dollars*	*Balances in Euro*	*Balances in other currencies*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*
Assets					
Property and equipment	7.906.910	-	530.617	-	8.437.527
Intangible assets	5.927	-	797.576	-	803.503
Investments	8.149.795	-	206	3.566.704	11.716.705
Reinsurers' share of insurance contract liabilities	-	49.999.251	501.157	-	50.500.408
Deferred acquisition costs	-	-	2.149.673	-	2.149.673
Reinsurers current accounts	-	3.409.730	-	-	3.409.730
Receivable from related companies	-	11.638.764	10.091	567.859	12.216.714
Premiums receivable	-	2.748.668	6.634.330	-	9.382.998
Other debtors and prepayments	57.932	625.089	319.359	-	1.002.380
Cash and cash equivalents	1.156.913	3.488.013	4.182.846	30.178	8.857.950
Total assets	17.277.477	71.909.515	15.125.855	4.164.741	108.477.588
Liabilities					
Income received in advance	-	2.485.617	-	-	2.485.617
Insurance contract liabilities	-	50.298.665	13.702.195	-	64.000.860
Reinsurers current accounts	-	4.541.054	15.203	-	4.556.257
Payables to related companies	-	4.442.110	-	-	4.442.110
Other creditors and accrued expenses	248.511	3.767.431	1.022.145	-	5.038.087
Income tax payable	-	11.081	-	-	11.081
Total liabilities	248.511	65.545.958	14.739.543	-	80.534.012
Net position	17.028.966	6.363.557	386.312	4.164.741	27.943.576

Price risk

Price risk is the risk of adverse movements in the market prices of equity shares.

Equity securities price risk

The risk of loss from changes in the price of equity shares, arises when there is an adverse change in the price of investments in equity securities held by the Company.

The Company monitors this risk on a regular basis, in order to ensure it remains within acceptable levels.

A change in the prices of equity securities classified as 'available for sale' affects equity (unless there is an impairment). The table below indicates how equity will be affected from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices

20. Risk management (continued)

***Price risk** (continued)*	*Changes to the Index %*	*Effect on equity US$*
2012		
Qatar/ Jordan Stock Exchange	+30	1.070.000
Qatar/ Jordan Stock Exchange	-30	(1.070.000)
2011		
Qatar/ Jordan Stock Exchange	+30	2.193.000
Qatar/ Jordan Stock Exchange	-30	(2.193.000)

Liquidity risk

Liquidity risk is the risk that the Company will suffer losses as a result of their inability to fully meet payment obligations as and when they fall due. To manage this risk, the Company maintains at all times cash at bank and other highly liquid assets in order to prevent undue risk concentrations.

Analysis of financial assets and liabilities by remaining contractual maturity

31 December 2012	*Within one year* US$	*Over one year* US$	*Total* US$
Assets			
Property and equipment	-	8.437.527	8.437.527
Intangible assets	-	803.503	803.503
Investments	11.716.705	-	11.716.705
Reinsurers' share of insurance contract liabilities	50.500.408	-	50.500.408
Deferred acquisition costs	2.143.223	6.450	2.149.673
Reinsurers current accounts	3.409.730	-	3.409.730
Receivables from related companies	12.216.714	-	12.216.714
Premiums receivable	9.382.998	-	9.382.998
Other debtors and prepayments	1.002.380	-	1.002.380
Cash and cash equivalents	8.857.950	-	8.857.950
Total assets	99.230.108	9.247.480	108.477.588
Liabilities			
Income received in advance	-	2.485.617	2.485.617
Insurance contract liabilities	63.971.028	29.832	64.000.860
Reinsurers current accounts	4.556.257	-	4.556.257
Payable to related companies	4.442.110	-	4.442.110
Other creditors and accrued expenses	5.038.087	-	5.038.087
Income tax payable	11.081	-	11.081
Total liabilities	78.018.563	2.515.449	80.534.012
Net position	21.211.545	6.732.031	27.943.576

20. Risk management (continued)

Liquidity risk *(continued)*

Analysis of financial assets and liabilities by remaining contractual maturity

31 December 2011	*Within one year*	*Over one year*	*Total*
	US$	*US$*	*US$*
Assets			
Property and equipment	-	7.357.974	7.357.974
Intangible assets	-	568.890	568.890
Investments	7.310.821	-	7.310.821
Reinsurers' share of insurance contract liabilities	35.857.735	-	35.857.735
Deferred acquisition costs	1.641.917	4.709	1.646.626
Reinsurers current accounts	1.304.699	-	1.304.699
Receivable from related companies	11.495.571	-	11.495.571
Premiums receivable	9.442.170	-	9.442.170
Other debtors and prepayments	548.055		548.055
Cash and cash equivalents	5.135.698	-	5.135.698
Total assets	72.736.666	7.931.573	80.668.239
Liabilities			
Income received in advance	-	2.796.924	2.796.924
Insurance contract liabilities	46.029.178	25.067	46.054.245
Reinsurers current accounts	5.574.294	-	5.574.294
Payable to related companies	2.517.082	-	2.517.082
Other creditors and accrued expenses	5.363.453	-	5.363.453
Income tax payable	19.125	-	19.125
Total liabilities	59.503.132	2.821.991	62.325.123
Net position	13.233.534	5.109.582	18.343.116

Credit risk

Credit risk is the risk of failure by counterparties to perform under their contractual obligations.

The Company is transacting with a large number of clients, brokers and agents in order to achieve adequate diversification of credit risk.

Credit risk is further reduced as the Company monitors credit exposures on a regular basis and, when necessary, provides for any doubtful debts.

20. Risk management (continued)

***Credit risk** (continued)*

The tables below present the maximum credit risk exposure arising from the various financial assets in accordance with their credit rating as determined by Moody's:

31 December 2012	*Aa3*	*C*	*D-D+*	*E*	*Unrated*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Equity Shares (Note 9)	740.985	-	2.825.719	-	8.150.001	11.716.705
Deposits with banks (Note 10)	-	211.480	3.636.758	2.091.958	2.861.815	8.802.011
Current accounts with reinsurers	-	-	-	-	3.409.730	3.409.730
Reinsurers' shares of insurance contract liabilities (Note 14)	-	-	-	-	50.500.408	50.500.408
Total	740.985	211.480	6.462.477	2.091.958	64.921.954	74.428.854

31 December 2011	*Aa3 to A1*	*B1-B2*	*Caa1-C*	*D+*	*Unrated*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Equity Shares (Note 9)	635.813	-	-	3.592.256	3.082.752	7.310.821
Deposits with banks (Note 10)	-	1.412.486	1.844.335	-	1.802.570	5.059.391
Current accounts with reinsurers	20.555	-	-	-	1.284.144	1.304.699
Reinsurers' shares of insurance contract liabilities (Note 14)	-	-	-	-	35.857.735	35.857.735
Total	656.368	1.412.486	1.844.335	3.592.256	42.027.201	49.532.646

Capital management

The adequacy of the Company's capital is monitored by the Superintendent of Insurance (Ministry of Finance) in order to ensure a minimum margin of solvency. The required minimum capital is determined in order to ensure the minimum solvency margin. The Company also maintained additional capital to support its business goal and to maximize its shareholder's value.

The Company manages its capital base annually, by assessing potential deficit between the current level and the required capital to support its work. Adjustments to current levels of capital may take place because of changes in economic conditions and the dangers that characterize the activities of the Company. To maintain the required capital the Company may adjust the amount of dividends paid to the parent company.

20. Risk management (continued)

Capital management (continued)

The minimum solvency margin required by the Insurance Legislation and is calculated using a formula that contains variables for premiums, claims and reserves amounted to US$4.937.280 or €3.700.000 and US$4.578.000 or €3.500.000 for the years 2012 and 2011 respectively.
The Company fully complies with the legal capital requirements set by the Superintendent of Insurance, during the reported accounting periods.

21. Capital commitments

At 31 December 2012 and 2011 the Company had no commitments for capital expenditure.

22. Events after the reporting date

Cyprus and the Eurogroup (together with the International Monetary Fund) reached an agreement on 25 March 2013 on a package of measures intended to restore the viability of the financial sector and sound public finances over the coming years.

The agreed measures include the resolution of Cyprus Popular Bank (Laiki) and the recapitalisation of Bank of Cyprus (BoC).

- Laiki will be resolved using the Bank Resolution Framework. Equity shareholders, bondholders and uninsured depositors (i.e those with balances equivalent to more than €100.000 per depositor, per bank) will contribute to make up the losses.

- BoC will be recapitalised through a deposit/equity conversion of uninsured deposits, with full contribution of equity shareholders and bondholders. The conversion will be such to achieve a capital ratio of 9 %.

- Most of the assets and the insured deposits in Laiki will be sold to BoC.

Depositors in all other Cyprus banks are fully protected, irrespective of the size of deposits.

The Company does not have any investments in equity and debt instruments of either of the two above mentioned banks. Also, as per the provisions of two Decrees issued by the Central Bank of Cyprus on 29 March 2013, deposits held by insurance companies are excluded from the measures provided for other uninsured depositors. Accordingly, the Company is not expected to suffer any losses from the restructuring of the banks.

However, deposits in all banks in Cyprus are subject to administrative measures to protect the liquidity in the banking system. These administrative measures include temporary restrictions on money transfers and cash transactions. Funds transferred from abroad to Cyprus are excluded from the restrictions.

The Company had in current and deposit accounts with banks domiciled in Cyprus €2.853.873 as of 31 December 2012 and €3.412.822 as of the date of the approval of these financial statements respectively.

Although no financial loss is expected, the Company's management is monitoring the developments in relation to these temporary restrictions and is assessing the implications on the Company's operations.
These measures will be in force for a period of time deemed necessary by the Cypriot Authorities.