Trust International Insurance Company (Cyprus) Limited

FINANCIAL STATEMENTS

31 December 2013

Contents

GENERAL INFORMATION

Board of Directors

Frixos Savvides - Chairman
Mehran Eftekhar
Kamel Abu Nahl
Chris Georghiades
Stavros Stavrou
Kyriacos Kazamias
Christos Christodoulou (appointed 2 April 2013)

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 adverse developments in the financial sector and the uncertainty of the economy. It gives me a great pleasure in reporting these results and achievements of the company for the year 2013, 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 pleased to announce that our Reinsurance business has increased by 5% during 2013. The main factor has been the increased volume of business throughout our Direct Insurance Group.

Direct 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 25% and its market share rose to 4,21%. 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 Net Earned Premiums rose to $20.064.108 representing an increase of 36% from last year. The net profit decreased by 7% from last year. The main reason for the slight decrease in the net profit is the increase in the net claims incurred, commissions and administrative expenses whereas there was an increase in net earned premium and other income. The increase in the administrative expenses is mainly due to the impairment charges of US$258.615 resulting from the deposits with banks. It is worth mentioning that this profit generated from operating activities and not investment returns. The net profit after tax of $2.450.284 was great achievement for which we thank the management and the staff.

ERM

We now have installed one of the most comprehensive Business Intelligence softwares, providing on-line MIS reports and alerts to Management and Directors, while our Corporate Governance practices were enriched and enhanced through four 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

Despite the developments in the Cyprus Financial Sector and the 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.

A MESSAGE FROM THE CHAIRMAN (continued)

With regards to the financial crisis that Cyprus is currently facing: 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.

The Board and the Executive team are following 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 ratio at 31/12/2013 was 401%. 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 2013, 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 am proud to be the Chairman of this Organization and I am 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 2013 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 25% in our Direct Operations, while our Reinsurance Operations grew by 5%. 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 direct 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 27 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.

2. **Cyprus Local Operations – Direct Insurance** has marked 25% growth comparing to 2012, 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 72 dedicated staff and managers and our sales force is composed of 160 experienced Brokers.

During 2013 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 enhanced the 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 five 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 2014 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 2013.

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.

Operating environment of the Company

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), for financial support, which resulted into an agreement and the Eurogroup decision of 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus Laiki Bank and Bank of Cyprus through a "bail in" of uninsured deposits. During 2013 the Cyprus economy contracted further with a decrease in the Gross Domestic Product.

Following the positive outcome of the first, second and third quarterly reviews of Cyprus's economic programme by the European Commission, the European Central Bank and the International Monetary Fund during 2013, the Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus.

The uncertain current economic conditions in Cyprus, the unavailability of financing, the restructuring of the banking sector and the continuing overall economic recession, 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 sell its products and services, and (3) the cash flow forecasts of the Company's management in relation to the impairment assessment for financial and non-financial assets.

The Company's management has assessed whether any impairment allowances are deemed necessary for the Company's reinsurance, insurance and other receivables carried at amortized cost by considering the economic situation and outlook at the end of the reporting period. Impairment of trade receivables is determined using the "incurred loss" model required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This standard requires recognition of impairment losses for receivables that arose from past events and prohibits recognition of impairment losses that could arise from future events, no matter how likely those future events are, and concluded that none is necessary.

The Company's management and Directors are 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. They believe nevertheless that they are 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 and therefore to continue as a going concern for the foreseeable future.

Further information in respect of the impact of the agreement and the banking sector's restructuring on the results and financial position of the Company are presented in Note 10 to the financial statements.

Branches

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

Results, current position, development and performance

The Company's gross written premium in 2013 was US$74.198.886 compared to US$66.563.801 in 2012. The increase is due to higher by 5% (2012: 33%) premium written by the Reinsurance operations whereas the Direct operations showed a growth of 25% (2012: 33%) comparing to 2012. Net premium written in 2013 was US$21.701.016 compared to US$16.806.171 in 2012, which reflects the increase in premium retained from the Direct operations.

Gross incurred claims decreased from US$27.625.067 in 2012 to US$23.136.075 in 2013 whereas Net incurred claims increased from US$8.128.557 in 2012 to US$12.176.719 in 2013. The increase is due to claims retained from the Direct operations. The Gross Loss Ratio (Gross Incurred Claims to Gross Earned Premium) was 30% in 2013 comparing to 51% in 2012 and the Net Loss Ratio (Net Incurred Claims to Net Earned Premium) was 61% in 2013 comparing to 55% in 2012.

The net underwriting loss for the year decreased to US$1.890.923 comparing to US$1.942.285 for 2012. The Gross Combined Ratio (Gross Claims and Commissions and Expenses) on Gross Earned Premium was 58% in 2013 and 87% in 2012. If this ratio is calculated on Gross Written premium it reduces to 60% for 2013 and 71% for 2012.

The net profit for the year is US$2.450.284 as compared to US$2.634.201 for 2012. The main reason for the slight decrease is the increase in net earned premium and other income, whereas there has been an increase in the net claims incurred, commissions and administrative expenses. The impairment charges resulting from the deposits with banks amount to US$258.615. The return on equity for 2013 is 8% and 9% for 2012.

The Company's gross technical reserves stand at US$63.486.664 as at 31 December 2013 as compared to US$64.000.860 as at 31 December 2012. There has been an increase in the technical reserves of the Direct operations and a decrease in the Reinsurance operations. The net technical reserves are US$18.124.952 as at 31 December 2013 comparing to US$13.500.452 as at 31 December 2012, due to the increase in the retained reserves for the Direct operations. Included in the reserves is an Unexpired Risks Reserve of US$18.872 (2012: US$18.112) and IBNR/IBNER reserves of US$1.080.214 (2012: US$692.780) which were both reviewed as at 31 December 2013.

The Bank and Cash balances increased to US$11.992.272 as at 31 December 2013 from US$8.857.950 as at 31 December 2012.

Shareholders' equity increased to US$31.389.287 as at 31 December 2013 from US$27.943.576 as at 31 December 2012, mainly as a result of the net profit for the year, the appreciation in the value of investments and exchange differences. On the contrary there was a decrease in the value of land and buildings.

According to latest official statistics of the Insurance Association of Cyprus, the Company retains a share 4,21% 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 2013 (2012: 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 19 to the financial statements respectively.

Share capital

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

On the 10th January 2014 the company signed a sale agreement for the purchase of immovable property in Aglantzia consisting of two plots of land and one building of offices, and a construction agreement for the same building, which will be utilised as the company's Head Offices. According to the sale agreement the purchase price of the property is €3.924.000 (US$5.455.930) most of which is payable upon the transfer of the property in the name of the company, which should be effected within 15 weeks from signing the agreement. According to the construction agreement the company engages the services of the contractor GDE Developers Ltd for the completion and delivery of all construction works for the amount of €1.040.000 (US$1.446.016), which is payable by instalments based on the progress of the construction works. The purchase of the building will be partly financed for the amount of €3.500.000 by a facility from a group company.

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 2013 the Board of Directors held five meetings in Cyprus and on each occasion the meeting was preceded by a meeting of the Nomination & Remuneration (N&RC), Audit (AC) and Risk Committees (RC).

Board of Directors (continued)

Board Composition

Name	Position	Committee Role
Frixos Savvides	Chairman	N&RC Committee - Chairman
Mehran Eftekhar	Group Finance and Corporate Services Director, Director	N&RC Committee - Member
Kamel Abu Nahl	Director	N&RC Committee - Member
Chris Georghiades	Director	Audit Committee - Member Risk Committee - Chairman
Stavros Stavrou	Director	Audit Committee - Chairman Risk Committee - Member
Kyriakos Kazamias	Director	Audit Committee - Member Risk Committee - Member
Christos Christodoulou	Chief Executive Officer, Director (appointed 2 April 2013)	-

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.

Mehran Eftekhar – Group Finance and Corporate Services Director, Director
Mr. Mehran Eftekhar is a Fellow Member of the Institute of Chartered Accountants in England and Wales (ICAEW) and has over 40 years of experience in the private sector of finance and corporate services. He serves as a non-executive Director of a number of Group companies. He is also Head of Group Corporate Services at parent company level.

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.

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 positions of Group Finance and Administration Director of Holborn Investment Company Ltd and Managing Director in Oilinvest (Netherlands) BV Group of Companies. He is the Chairman and one of the founder shareholders of Oceanfleet Shipping Ltd. During his career he has served as a Director at a number of Companies, private and public.

Board of Directors (continued)

Kyriacos Kazamias – Director
Mr. Kyriacos Kazamias is an MSc. graduate of Berlin Hochschule fur Okomomie (High School of Economics). He 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. During the period 2004-2010 he was Member of the European Court of Auditors in Luxembourg. His contribution to the Cypriot economy has played an important role since he was the Minister of Finance.

Christos Christodoulou – Chief Executive Officer, Director
Mr. Christos Christodoulou holds an HND, BSc and an MSc in Mechanical Engineering (Computer Controls). He has an extensive experience in corporate Management and Sales. He served the insurance industry for more than twenty years, both in General Business and Life Operations from the positions of Sales Manager, General Manager and Executive Director of both Life and General Business Insurance Companies in Cyprus and Greece.

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 & R 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: Andreas Stylianou

Board of Directors (continued)

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 2013 the following projects/ risk based audits, as per the approved yearly plan were performed:

- Larnaca Branch
- Paphos Branch
- Underwriting Department
- Amman Regional Office (Underwriting support Department)
- Four Work in progress follow up reports

All the final reports were presented to the Audit Committee 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 2014, the approved risk based audit plan includes the audit of the company's:

- Risk Register
- Claims Department
- IT audit
- Limassol Branch
- Larnaca Branch
- Amman Regional Office (Risk Register & Finance 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, 7 April 2014

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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 17 to 60, which comprise the statement of financial position as at 31 December 2013, 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 2013, 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.

Report on Other Legal Requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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, so far as appears from the examination of these books.
- 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 14 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 Laws of 2009 and 2013 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
7 April 2014

Trust International Insurance Company (Cyprus) Limited

INCOME STATEMENT
for the year ended 31 December 2013

	Notes	*2013* *US$*	*2012* *US$*
Gross earned premiums	3	76.675.019	53.851.588
Reinsurers' share of gross earned premiums	3	(56.610.911)	(39.123.609)
Net earned premiums		20.064.108	14.727.979
Fee and commission income		11.710.517	10.611.785
Deferred acquisition costs	3	316.794	503.047
Investment income		125.672	37.712
Other income from insurance operations		83.861	44.020
Total revenue from insurance operations		32.300.952	25.924.543
Gross insurance claims paid	14	(21.174.898)	(22.273.278)
Reinsurers' share of gross insurance claims paid	14	11.985.011	15.487.858
Gross change in insurance contracts liabilities	14	(1.961.177)	(5.351.789)
Reinsurers' share of gross change in insurance contracts liabilities	14	(1.025.655)	4.008.652
Change in provision for unexpired risks reserve	14	(760)	117.387
Commission expense, direct expenses and discounts		(15.568.682)	(13.962.293)
Administrative expenses for insurance operations	4	(6.413.932)	(5.860.907)
Finance costs		(31.782)	(32.458)
Total expenses for insurance operations		(34.191.875)	(27.866.828)
Net revenue from insurance operations		(1.890.923)	(1.942.285)
Other income	5	4.567.472	4.857.924
Other operating and administrative expenses	5	(499.908)	(289.015)
Profit from operating activities before income tax	6	2.176.641	2.626.624
Income tax credit	6	273.643	7.577
Net profit for the year		2.450.284	2.634.201

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	2013 *US$*	*2012* *US$*
Net profit for the year	2.450.284	2.634.201
Other comprehensive income:		
Other comprehensive income to be reclassified in the income statement in subsequent periods		
Net gains on available-for-sale financial assets	632.343	4.343.663
Exchange differences on translation of Cyprus operations	1.231.788	316.899
	1.864.131	4.660.562
Other comprehensive income not to be reclassified in the income statement in subsequent periods		
Retained earnings - depreciation of building for prior years (note 7)	-	(463.674)
Revaluation of land and buildings	(1.002.627)	868.419
Adjustment – depreciation	133.923	463.674
	(868.704)	868.419
Other comprehensive income after tax	995.427	5.528.981
Total comprehensive income for the year after tax	3.445.711	8.163.182

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 US$	2012 US$
ASSETS			
Non-current assets			
Property and equipment	7	7.848.428	8.437.527
Intangible assets	8	929.438	803.503
Available-for-sale investments	9a	13.116.429	11.716.705
Investments at fair value through profit or loss	9b	47.797	-
Deferred tax assets		273.643	-
		22.215.735	20.957.735
Current assets			
Reinsurers' share of insurance contract liabilities	14	45.361.712	50.500.408
Deferred acquisition costs	3	2.466.467	2.149.673
Reinsurers' current accounts		2.437.666	3.409.730
Receivables from related companies	15	18.641.989	12.216.714
Premiums receivable		15.250.573	9.382.998
Other debtors and prepayments	11	901.832	1.002.380
Cash and cash equivalents	12	11.992.272	8.857.950
TOTAL ASSETS		119.268.246	108.477.588
EQUITY AND LIABILITIES			
Equity			
Share capital	13	12.000.000	12.000.000
Equity contribution from parent	13	1.388.290	1.388.290
Available for sale reserve		(723.925)	(1.356.268)
Property revaluation reserve		4.274.246	5.142.950
Foreign currency translation reserve		77.046	(1.154.742)
Retained earnings		14.373.630	11.923.346
Total equity		31.389.287	27.943.576
Non-current liabilities			
Income received in advance		1.950.722	2.485.617
Current liabilities			
Insurance contract liabilities	14	63.486.664	64.000.860
Reinsurers' current accounts		9.888.847	4.556.257
Payables to related companies	15	3.326.692	4.442.110
Other creditors and accrued expenses	16	9.226.034	5.049.168
		85.928.237	78.048.395
TOTAL EQUITY AND LIABILITIES		119.268.246	108.477.588

Mehran Eftekhar - Director

Christos Christodoulou - Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Share Capital US$	*Equity contribution from parent US$*	*Available for sale reserve US$*	*Property revaluation reserve US$*	*Foreign currency translation reserve US$*	*Retained earnings US$*	*Total US$*
At 1 January 2012	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
Profit for the year	-	-	-	-	-	2.450.284	2.450.284
Other comprehensive income after tax	-	-	632.343	(868.704)	1.231.788	-	995.427
Total comprehensive income for the year	-	-	632.343	(868.704)	1.231.788	2.450.284	3.445.711
At 31 December 2013	12.000.000	1.388.290	(723.925)	4.274.246	77.046	14.373.630	31.389.287

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 2012 and 2013 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 2011 and 2010 there was no such deemed distribution.

Trust International Insurance Company (Cyprus) Limited

STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

	Notes	*2013* *US$*	*2012* *US$*
Cash Flows from Operating Activities			
Net profit before income tax		2.176.641	2.626.624
Adjustments for:			
Depreciation of property and equipment and amortisation of intangible assets		624.146	550.489
Loss on disposal and write-offs of equipment		2.004	2.732
Exchange differences		(466.235)	(608.263)
Operating profit before working capital changes		2.336.556	2.571.582
(Increase)/ decrease in premium receivable		(5.867.575)	59.172
Increase in deferred acquisition costs		(316.794)	(503.047)
Decrease/ (increase) in other debtors and prepayments		100.548	(454.325)
(Increase)/ decrease in balance with related companies		(7.540.693)	1.203.885
Increase/ (decrease) in reinsurers' current accounts		6.304.654	(3.123.068)
Decrease/ (increase) in reinsurers' share of insurance contract liabilities		5.138.696	(14.642.673)
Decrease/ (increase) in deposits with banks		436.453	(1.376.201)
(Decrease)/ increase in insurance contract liabilities		(514.196)	17.946.615
Increase/ (decrease) in other creditors and accrued expenses		4.176.866	(325.366)
Income received in advance		(534.895)	(311.307)
Cash generated from operations		3.719.620	1.045.267
Income tax paid		-	(457)
Net cash flow from operating activities		3.719.620	1.044.810
Cash flows from investing activities			
Purchase of equipment		(215.383)	(365.936)
Purchase of computer software and other intangibles		(460.224)	(503.468)
Proceeds from disposals of equipment		1.487	3.874
Purchase of investments		(706.513)	-
Net cash flows used in investing activities		(1.380.633)	(865.530)
Cash flows from financing activities			
Equity contribution from parent		-	1.388.290
Net cash flows used in financing activities		-	1.388.290
Net increase in cash and cash equivalents		2.338.987	1.567.570
Exchange difference		1.231.788	778.481
Cash and cash equivalents at 1 January		6.824.513	4.478.462
Cash and cash equivalents at 31 December	12	10.395.288	6.824.513

1. Corporate information

The financial statements of Trust International Insurance Company (Cyprus) Limited (the "Company") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 7 April 2014.

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 ("ARO"), reinsurance business and provides related consultancy services to other group companies.

Operating environment of the Company

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), for financial support, which resulted into an agreement and the Eurogroup decision of 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus Laiki Bank and Bank of Cyprus through a "bail in" of uninsured deposits. During 2013 the Cyprus economy contracted further with a decrease in the Gross Domestic Product.

Following the positive outcome of the first, second and third quarterly reviews of Cyprus's economic programme by the European Commission, the European Central Bank and the International Monetary Fund during 2013, the Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus.

The uncertain current economic conditions in Cyprus, the unavailability of financing, the restructuring of the banking sector and the continuing overall economic recession, 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 sell its products and services, and (3) the cash flow forecasts of the Company's management in relation to the impairment assessment for financial and non-financial assets.

The Company's management has assessed whether any impairment allowances are deemed necessary for the Company's reinsurance, insurance and other receivables carried at amortized cost by considering the economic situation and outlook at the end of the reporting period. Impairment of trade receivables is determined using the "incurred loss" model required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This standard requires recognition of impairment losses for receivables that arose from past events and prohibits recognition of impairment losses that could arise from future events, no matter how likely those future events are, and concluded that none is necessary.

The Company's management and Directors are 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. They believe nevertheless that they are 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 and therefore to continue as a going concern for the foreseeable future.

1. Corporate information (continued)

Operating environment of the Company (continued)

Further information in respect of the impact of the agreement and the banking sector's restructuring on the results and financial position of the Company are presented in Note 10 to the financial statements.

2.1 Basis of preparation

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.

The financial statements have been prepared on a historical cost basis, except for own properties, land and buildings classified as property and investments classified as available-for-sale and at fair value through profit or loss respectively, that have been measured at fair value.

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.

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.

Investment in associate

The Company owns approximately 33% of the share capital of Jordan Expatriates ("JE"), a company listed on the Amman Stock Exchange. Since the Company's ultimate parent, Nest Investment Holdings Ltd, will apply equity accounting for JE in its consolidated financial statements, the Company will continue to account for JE in these, its separate financial statements as an available-for-sale investment under IAS39, in accordance with paragraph 17 of IAS 28 Associates – refer to the relevant accounting policy in Note 2.4.6 'Financial assets, AFS Investments'.

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:

2.2.1 Application of new standards, interpretations and amendments to IFRS

As from 1 January of 2013, the Company adopted the following new standards, interpretations and amendments to IFRS:

- IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income.
- IAS 19 Employee Benefits (Revised)
- IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities
- IFRS 13 Fair Value Measurement
- Annual Improvements to IFRSs – 2009 – 2011 Cycle

2.2 Changes in accounting policies and disclosures (continued)

2.2.1 Application of new standards, interpretations and amendments to IFRS (continued)

The adoption of the above did not have a material impact on the results and financial position of the Company, other than those outlined below:

IFRS 13 Fair Value Measurement

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. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets whose fair values were determined. IFRS 13 applies prospectively.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in Other Comprehensive Income ('OCI'). Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g. net loss or gain on available-for-sale-financial assets) have to be presented separately from items that will not be reclassified (e.g.revaluation of land and buildings). The amendments affect presentation only and have no impact on the Company's financial position or performance.

2.2.2 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:

(a) *Standards and interpretations issued by the IASB and adopted by the EU*

IAS 28 Investments in Associates and Joint Ventures (Revised)

The Standard is effective for annual periods beginning on or after 1 January 2014. As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, 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. The Company is in the process of assessing the impact of this amendment on the Company's financial statements.

IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities

The amendment is effective for annual periods beginning on or after 1 January 2014.These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Company is in the process of assessing the impact of this amendment on the Company's financial statements.

2.2 Changes in accounting policies and disclosures (continued)

2.2.2 Standards and interpretations that are issued but not yet effective (continued)

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

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. The Company is in the process of assessing the impact of this amendment on the Company's financial statements. 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 is in the process of assessing the impact of this amendment on the Company's financial statements.

IFRS 11 Joint Arrangements

The new standard is effective for annual periods beginning on or after 1 January 2014. 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 is in the process of assessing the impact of this amendment on the Company's financial statements.

IFRS 12 Disclosures of Interests in Other Entities

The new standard is effective for annual periods beginning on or after 1 January 201. 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 is in the process of assessing the impact of this amendment on the Company's financial statements.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2014. 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 is in the process of assessing the impact of this amendment on the Company's financial statements.

2.2 Changes in accounting policies and disclosures (continued)

2.2.2 Standards and interpretations that are issued but not yet effective (continued)

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

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
The amendment is 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 is in the process of assessing the impact of this amendment on the Company's financial statements.

IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets
This amendment is effective for annual periods beginning on or after 1 January 2014. These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. The Company is in the process of assessing the impact of this amendment on the Company's financial statements.

IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
This amendment is effective for annual periods beginning on or after 1 January 2014. Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The Company is in the process of assessing the impact of this amendment on the Company's financial statements.

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

IFRS 9 Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7-Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39
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. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The standard was initially effective for annual periods beginning on or after 1 January 2013 but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. The subsequent package of amendments issued in November 2013 initiate further accounting requirements for financial instruments.

2.2 Changes in accounting policies and disclosures (continued)

2.2.2 Standards and interpretations that are issued but not yet effective (continued)

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

IFRS 9 Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7-Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (continued)

These amendments a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management; b) allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. These standard and subsequent amendments have not yet been endorsed by the EU.

IAS 19 Defined Benefit Plans (Amended): Employee Contributions

The amendment is effective from 1 July 2014. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment has not yet been endorsed by the EU. The Company is in the process of assessing the impact of this amendment on the Company's financial statements.

IFRIC Interpretation 21: Levies

The interpretation is effective for annual periods beginning on or after 1 January 2014. The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation has not yet been endorsed by the EU.

Annual Improvements to IFRSs 2010 – 1012

The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU.

- *IFRS 2 Share-based Payment:* This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- *IFRS 3 Business combinations:* This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.

2.2 Changes in accounting policies and disclosures (continued)

2.2.2 Standards and interpretations that are issued but not yet effective (continued)

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

Annual Improvements to IFRSs 2010 – 1012 (continued)

- *IFRS 8 Operating Segments:* This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- *IFRS 13 Fair Value Measurement:* This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- *IAS 16 Property Plant & Equipment:* The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- *IAS 24 Related Party Disclosures:* The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- *IAS 38 Intangible Assets:* The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

Annual Improvements to IFRSs 2011 – 2013

The IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU.

- *IFRS 1 First-time adoption of IFRS:* This improvement clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.
- *IFRS 3 Business Combinations*: This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- *IFRS 13 Fair Value Measurement:* This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- *IAS 40 Investment Properties:* This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

2.3 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 19.

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.

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 measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 9 for further disclosures.

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.

2.4 Summary of significant accounting policies

2.4.1 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.

2.4 Summary of significant accounting policies (continued)

2.4.2 Revenue recognition

Gross premiums
Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.
Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums
Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.
Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Fees and commission income
Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Investment income
Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

Realised gains and losses
Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses also include the ineffective portion of hedge transactions. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

2.4 Summary of significant accounting policies (continued)

2.4.3 Benefits, claims and expenses recognition

Gross benefits and claims
General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost
Interest paid is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

2.4.4 Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.
DAC for general insurance and health products are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.
Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement. DAC are also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.

2.4.5 Insurance contract liabilities (general insurance and healthcare contract liabilities)

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

2.4 Summary of significant accounting policies (continued)

2.4.5 Insurance contract liabilities (general insurance and healthcare contract liabilities) (continued)

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.
At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed in accordance with the relevant guidelines of the Superintendent of Insurance in Cyprus to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

2.4.6 Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.
Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.
The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Company's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.
The Company's financial assets include cash and short-term deposits, trade and other receivables and quoted and unquoted financial instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; Or
- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in the income statement.
Dividend income is recorded in 'Other income' when the right to the payment has been established.

2.4 Summary of significant accounting policies (continued)

2.4.6 Financial assets (continued)

(b) Available-for-sale (AFS) financial investments

AFS financial investments include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.
After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in Other Comprehensive Income (OCI) and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the income statement.

Derecognition of financial assets
A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; Or
- The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
  and either:
- The Company has transferred substantially all the risks and rewards of the asset; Or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Impairment of financial assets
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Available-for-sale financial investments

For AFS financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.
In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the income statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

2.4 Summary of significant accounting policies (continued)

2.4.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2.4.8 Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.
The Company also assumes reinsurance risk in the normal course of business for non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.
Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.
Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.4.9 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.
Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.4.6 have been met.

2.4.10 Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

2.4 Summary of significant accounting policies (continued)

2.4.11 Derecognition of insurance payables

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

2.4.12 Provisions for pending litigation or claims

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.4.13 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.

2.4.14 Cash and cash equivalents

For the purposes of the statement of cash flows, 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.

2.4.15 Foreign currencies

The Company's financial statements are presented in United States Dollars (US$), which is also the functional currency of ARO. The functional currency of the Head Office in Cyprus is the Euro. For the purposes of the Company's financial statements, the assets and liabilities of the Head Office are translated into US$ at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions or using an average rate of exchange, as appropriate. The exchange differences arising on translation are recognised in other comprehensive income.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Company's Head Office and ARO at their respective functional currency spot rates at the date the transaction first qualifies for recognition.
Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.
Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2.4.16 Leases – Company as a lessee

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.4 Significant accounting policies (continued)

2.4.17 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%.

At each reporting date, 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.

2.4.18 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.
At each 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.

2.4.19 Income taxes

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.
Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.4 Summary of significant accounting policies (continued)

2.4.19 Income taxes (continued)

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

The carrying amount of deferred 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 allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4.20 Fair value measurement

The Company measures financial instruments and non-financial assets such as properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 Summary of significant accounting policies (continued)

2.4.20 Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. General insurance business

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

	2013 US$	*2012 US$*
Total gross premiums	74.198.886	66.563.801
Change in the provision for unearned premiums	2.476.133	(12.712.213)
Gross earned premiums	76.675.019	53.851.588
Total reinsurance premiums	(52.497.870)	(49.757.630)
Change in the provision for unearned reinsurance premiums	(4.113.041)	10.634.021
Earned reinsurance premiums	(56.610.911)	(39.123.609)
Net earned premiums	20.064.108	14.727.979

Deferred acquisition costs

	2013 US$	*2012 US$*
1 January	2.149.673	1.646.626
Deferred acquisition costs for the year	(14.630.325)	(12.985.863)
Acquisition costs charged to the income statement	14.947.119	13.488.910
31 December	2.466.467	2.149.673

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:

2013

	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 2013* €
Gross premiums written	1.999.123	9.862.616	2.764.815	68.375	3.189.482	1 .514.021	-	14.414	19.412.846
Reinsurers' share of Gross premiums Written	126.734	254.881	50.718	35.895	1.452.045	56.601	-	1.601	1.978.475
Gross earned premiums	1.973.060	9.471.339	2.635.230	65.065	2.841.333	1.432 820	-	10.972	18.429.819
Gross outstanding claims	120.192	3.237.588	1.546.102	23.306	564.687	393.100	-	-	5.884.975
Gross claims incurred	1.146.618	4.346.222	2.670.101	12.134	692.537	312.857	-	-	9.180.469
Gross claims charges	1.134.790	3.044.185	2.145.217	19.182	254.726	133.804	-	-	6.731.904
Gross operating expenses – other than commissions	387.145	2.107.181	595.507	12.969	627.589	283.721	-	2.828	4.016.940
Commissions	246.466	1.918.068	900.536	8.502	562.453	241.429	-	1.994	3.879.448
Reinsurers' share of insurance contracts liabilities	13.997	62.202	92.514	13.988	622.759	7.923	-	1.167	814.550

2012

	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* €
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
Reinsurers' share of Gross premiums Written	39.688	297.177	65.591	33.165	1.181.699	66.376	-	1.571	1.685.267
Gross earned premiums	1.011.193	7.623.803	2.366.568	35.992	2.109.464	944.035	-	3.386	14.094.441
Gross outstanding claims	108.363	1.935.551	1.021.219	30.354	126.876	214.047	-	-	3.436.410
Gross claims incurred	411.783	3.178.034	2.019.322	30.085	501.126	72.456	-	-	6.212.806
Gross claims charges	363.503	2.407.316	1.902.591	85	586.167	22.322	-	-	5.281.984
Gross operating expenses – other than commissions	230.628	2.042.024	450.703	10.333	502.343	242.556	-	1.323	3.479.910
Commissions	174.404	.534.094	819.215	5.311	428.147	171.422	-	636	3.133.229
Reinsurers' share of insurance contracts liabilities	12.623	-	-	26.287	315.444	20.069	-	1.145	375.568

During the year 2013, 2.368 (2012: 1.938) claims were incurred relating to the motor vehicle liability class, of which 584 (2012: 529) were outstanding at 31 December 2013, and their average cost was €1.475 (2012: €1.302).

4. Administrative expenses for insurance operations

	2013	*2012*
Staff costs:	*US$*	*US$*
Salaries	3.331.146	2.933.036
Employer's contributions for social insurance etc.	237.368	191.667
Retirement benefit plan costs	77.431	62.625
Other staff costs	477.363	435.699
	4.123.308	3.623.027
Professional fees	139.387	120.652
Selling and advertising costs	508.850	472.878
Rent payable for operating leases of land and buildings	186.344	176.881
Electricity, heating and water	87.959	90.618
Insurance, taxes and maintenance of building	65.671	97.630
Maintenance of office equipment	43.882	37.339
Computer expenses	98.508	54.647
Printing and stationery	84.919	111.934
Telephone expenses	90.529	94.715
Postages and courier expenses	31.028	28.741
Subscriptions	23.976	17.294
Entertainment expenses	43.313	33.902
Travelling expenses	74.510	75.778
Motor vehicle expenses	75.324	63.804
Storage expenses	43.995	73.618
Exchange loss	-	40.233
Provision for doubtful debts	49.237	82.899
Depreciation of property and equipment	268.668	276.022
Amortisation of intangible assets	355.478	274.467
Other	19.046	13.828
	6.413.932	5.860.907

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 2013 was 99 persons (31 December 2012: 86).

The Company operates since August 2011, a defined contribution retirement benefit plan covering all of its permanent employees in Cyprus totalling 52 employees (31 December 2012: 38). The plan is funded and is separately administered.

5. Other income and other operating and administrative expenses

	2013	*2012*
Other income	*US$*	*US$*
Income from treaties (reinsurance business)	3.850.602	4.220.481
Management and consulting fee income from group companies	183.952	184.318
Fee income from management of Group Insurance Pool	222.828	134.080
Dividend income	295.220	290.445
Other income	14.870	28.600
	4.567.472	4.857.924

5. Other income and other operating and administrative expenses (continued)

	2013 US$	2012 US$
Other operating and administrative expenses		
Director's fees	84.250	83.283
Loss on disposal and write-off of assets	2.004	2.732
Professional fees	154.569	203.000
Special levy	470	-
Impairment of bank deposits, net of fair value of shares received in exchange (refer to note 10)	258.615	-
	499.908	289.015

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

	2013 US$	2012 US$
Fees for the audit of the financial statements	52.360	49.300
Fees for other services of audit nature	10.710	9.420
Fees for tax services	1.599	1.542
Fees for tax services – prior years	7.928	6.572
	72.597	66.834

6. Income tax

	2013 US$	2012 US$
Income Statement		
Current income tax		
Prior year tax adjustments	-	(7.577)
Deferred income tax		
Temporary differences of unutilised tax losses	(273.643)	-
Income tax income as reported in the income statement	(273.643)	(7.577)

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

	2013 US$	2012 US$
Profit from operating activities before income tax	2.176.641	2.626.624
Tax at Cyprus statutory income tax rate 12,5% (2012: 10%)	272.080	262.662
Tax effect of:		
Profits not subject to Cyprus tax	(247.659)	(277.855)
Expenses not deductible	116.318	56.217
PPE and intangible assets allowances	(24.680)	(15.399)
Losses to be carried forward	(273.643)	-
Losses utilised during the year	(116.059)	(25.626)
Adjustment in respect of current income tax of previous year	-	(7.577)
Income tax for the year	(273.643)	(7.577)

6. Income tax (continued)

Corporate income in Cyprus is calculated at the rate of 12,5% on the taxable income of the year (2012: 10%).

At 31 December 2013, the Company had tax losses amounting to €1.574.470 or US$2.189.143 (2012: €2.242.244) 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.

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

Year	*US$*	*Expiry date*
2009	838.009	2014
2010	1.266.522	2015
2011	84.612	2016
	2.189.143	

7. Property and equipment

	Property	*Leasehold improvements*	*Motor vehicles*	*Computer hardware*	*Furniture equipment*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
2013						
Cost or Valuation						
1 January	7.816.216	179.563	525.008	408.098	597.706	9.526.591
Revaluation	(1.002.627)	-	-	-	-	(1.002.627)
Additions	-	2.872	118.412	47.840	46.259	215.383
Disposal and write-offs	-	-	-	(1.058)	(3.288)	(4.346)
Exchange difference	328.018	7.536	10.531	11.662	16.657	374.404
31 December	7.141.607	189.971	653.951	466.542	657.334	9.109.405
Depreciation						
1 January	65.586	108.724	363.569	271.292	279.893	1.089.064
Revaluation	(133.923)	-	-	-	-	(133.923)
Charge for the year	63.382	27.796	51.809	62.787	62.894	268.668
Disposals and write-offs	-	-	-	(212)	(643)	(855)
Exchange difference	4.955	5.529	7.185	8.545	11.809	38.023
31 December	-	142.049	422.563	342.412	353.953	1.260.977
Net book value						
31 December	7.141.607	47.922	231.388	124.130	303.381	7.848.428

7. Property and equipment (continued)

	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

All property is freehold and is shown at valuation carried out by independent qualified valuers at 31 December 2013 in accordance to IFRS 13. Fair value of the properties was determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

The cumulative revaluation surplus amounted to US$4.274.246 (2012: US$5.142.950) and is included in the property revaluation reserve. The historical cost of property amounts to US$3.630.718.

During the year 2012, 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 years 2012 and 2013 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 2013 would have amounted to US$3.187.785 (2012: US$3.228.052).

8. Intangible assets

	Computer software	*Recruitment bonuses*	*Total*
	US$	*US$*	*US$*
2013			
Cost			
1 January	400.741	1.165.682	1.566.423
Additions	81.636	378.588	460.224
Exchange difference	7.762	48.920	56.682
31 December	490.139	1.593.190	2.083.329
Depreciation			
1 January	282.910	480.010	762.920
Charge for the year	54.322	301.156	355.478
Exchange difference	4.882	30.611	35.493
31 December	342.114	811.777	1.153.891
Net book value			
31 December	148.025	781.413	929.438

	Computer software	*Recruitment bonuses*	*Total*
	US$	*US$*	*US$*
2012			
Cost			
1 January	320.247	725.818	1.046.065
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	1.566.423
Depreciation			
1 January	243.291	233.884	477.175
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	762.920
Net book value			
31 December	117.831	685.672	803.503

9. Investments

(a) Available for sale investments

	2013 *US$*	*2012* *US$*
Equity shares		
Listed on the Cyprus Stock Exchange	281	206
Listed on Qatar Stock Exchange (note (a))	4.996.123	3.566.704
Listed on Amman Stock Exchange (note (b))	8.120.025	8.149.795
	13.116.429	11.716.705

Income from investments amounted to US$295.220 (2012: US$290.445) and is included in "Other income" in the income statement. The movement for the years 2013 and 2012 respectively is summarised below:

	Cost	*Exchange differences*	*Revaluation*	*Impairment*	*Carrying amount*	*Carrying amount*
	2013 *US$*	*2013* *US$*	*2013* *US$*	*2013* *US$*	*2013* *US$*	*2012* *US$*
Equity shares available for sale						
1 January	13.491.938	(418.965)	(1.356.268)	-	11.716.705	7.310.821
Additions	425.354	-	-	-	425.354	-
Revaluation	-	-	632.343	-	632.343	4.343.663
Exchange difference	-	342.027	-	-	342.027	62.221
31 December	13.917.292	(76.938)	(723.925)	-	13.116.429	11.716.705

(b) Investments at fair value through profit or loss

	2013 *US$*	*2012* *US$*
Equity shares		
Unquoted shares – Cyprus banking sector (note (c))	47.797	-

Note (a)
This represents shares in a listed bank established in Qatar. The Company's parent, Nest Investment Holdings Ltd, has committed to acquire this investment at its acquisition cost during the year 2014. 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. The fair value is based on the quoted price on the Qatar Stock Exchange.

Note (b)
This represents shares in an investment/brokerage company listed on the Amman Stock Exchange, an associated of the Company, which is classified in the AFS category in the Company's separate financial statements (refer to Note 2.4.6). 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). The investment for 2013 was valued using its adjusted net asset value per share discounted for liquidity.

9. Investments (continued)

Note (c)
This represents unquoted shares at FVPL that were acquired as a result of the conversion of Bank of Cyprus ('BoC') deposits in accordance with the relevant decrees issued by the Central Bank of Cyprus and the final measures taken for the BoC restructuring (see Note 10). The price used for the valuation of the unquoted equity shares is €0,17 per share.

Description of significant unobservable inputs to valuation:

	Valuation technique	*Significant unobservable inputs*	*Weighted average*	*Sensitivity to the input to fair value (equity value/share)*
Unquoted equity shares – banking sector	Relative valuation (Price to book adjusted)	a. Tier I Capital Adequacy of a comparable Bank in Cyprus	33% discount	+5% (€0,16)/ -5% (€0,186)
		b. Country risk premiums on Cyprus banks compared to other country banks participating in the Memorandum of Understanding	63% discount	+5% (€0,141)/ -5% (€0,188)
		c. Sovereign risk of Cyprus economy	45% premium	+5% (€0,183)/ -5% (€0,17)

	Valuation technique	*Significant unobservable inputs*	*Discount factor*	*Sensitivity to the input to fair value (equity value/share)*
AFS investments	Cost method	a. Illiquidity discount	15%	+5% (US$1,62)/ -5% (US$1,44)

Fair value hierarchy

As at 31 December 2013, the Company held the following financial instruments carried at fair value in the statement of financial position:

2013	*Level 1 US$*	*Level 2 US$*	*Level 3 US$*	*31 December US$*
Available for sale investments	4.996.404	-	8.120.025	13.116.429
Investments at fair value through profit or loss	-	-	47.797	47.797

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

10. Deposits with banks

Description	*Maturity*	*Interest rate*	*2013 US$*	*2012 US$*
Current accounts		0%-2,50%	5.480.214	5.237.449
Term deposits	0-3 months	0%-4,50%	4.744.629	1.531.125
Term deposits	4-6 months	3,00%-3,13%	652.759	1.067.520
Term deposits	7-12 months	3,30%-5,00%	944.225	965.917
			11.821.827	8.802.011

An amount of US$15.923 or €11.452 is blocked as security for letters of guarantee in favor of several beneficiaries relevant to offers for insurance services (2012: US$162.517 or €121.790). For credit and counterparty risk exposure refer to note 19 Risk Management.

Conversion of Bank of Cyprus ("BoC") deposits to shares

Based on the decree dated 21 April 2013 issued by the Central Bank of Cyprus, insurance companies deposits were excluded from the measures applicable to the uninsured depositors as follows:

- Deposits in Bank of Cyprus - excluded amount equal to 72.5% of deposits after offsetting any loans and advances to Bank of Cyprus. For the remaining 27.5% the measures applicable to the uninsured depositors of Bank of Cyprus were applied.
- Deposits in Laiki - excluded amount equal to 72.5% (without any offsetting with loans and advances to Laiki) which was transferred to Bank of Cyprus and there was no further reduction. Loans and advances exceeding 27.5% of deposits were also transferred to the Bank of Cyprus.

The amount on which the 72,5% was estimated was the lower balance of deposits of the insurance companies as at 21 April 2013 and as at 26 March 2013 respectively.

In accordance to the decrees issued by the Central Bank of Cyprus, 27,5% of the deposits of the Branch with BoC were converted as follows:

	%	*€*	*US$*
Conversion to BoC shares (nominal value €1 each)	47,5%	202.214	281.159
New deposits with BoC	42,5%	180.929	251.564
Amount released	10,0%	42.571	59.190
Total	100,0%	425.714	591.913

The above amounts were calculated based the Company's bank balances with the Bank of Cyprus dated 26 March 2013, which amounted to €1.548.051 (US$2.152.410).

The Bank of Cyprus shares upon initial recognition were classified by the Company at fair value through profit or loss ("FVPL"), as the Company's management assessed that this designation results in more relevant information because it eliminates or significantly reduces a measurement inconsistency or recognition that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

As a result of the above, the Company recognized in the income statement for the year, loss from the conversion of deposits with the Bank of Cyprus amounting to US$225.524 (net of the fair value of the shares in BOC received in exchange) and loss from the Laiki bank deposits amounting to US$33.091.
As at 31 December 2013, the Bank of Cyprus shares were measured at fair value, which amounted to US$47.797 (€ 0,17 per share).

11. Other debtors and prepayments

	2013 *US$*	*2012* *US$*
Other debtors	375.596	593.340
Prepayments and deposits	261.574	235.707
Amounts receivable from Cyprus Hire Risk Pools	208.663	135.528
Amounts receivable from Group Insurance Pools	31.748	31.749
Investment income receivable	24.251	6.056
	901.832	1.002.380

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:

	2013 *US$*	*2012* *US$*
Cash with banks *(Note 10)*	5.480.214	5.237.449
Term deposits with banks *(Note 10)*	6.341.613	3.564.562
Cash in hand	170.445	55.939
	11.992.272	8.857.950
Adjustment for deposits with original maturity of over 3 months *(Note 10)*	(1.596.984)	(2.033.437)
Cash and cash equivalents as per the statement of cash flows	10.395.288	6.824.513

13. Share capital

	2013		*2012*	
	Shares	*US$*	*Shares*	*US$*
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

Equity contribution from parent

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

	2013 Insurance Contract Liabilities US$	2013 Reinsurers' share of liabilities US$	2013 Net liabilities US$	2012 Insurance Contract Liabilities US$	2012 Reinsurers' share of liabilities US$	2012 Net liabilities US$
Provision for outstanding claims reported	27.768.940	21.062.551	6.706.389	26.195.197	22.088.206	4.106.991
Provisions for claims incurred but not enough reported (IBNER)	697.491	-	697.491	504.661	-	504.661
Provisions for claims incurred but not reported (IBNR)	382.723	-	382.723	188.119	-	188.119
Total outstanding claims	28.849.154	21.062.551	7.786.603	26.887.977	22.088.206	4.799.771
Provision for unearned premiums	34.618.638	24.299.161	10.319.477	37.094.771	28.412.202	8.682.569
Provision for unexpired risks reserve	18.872	-	18.872	18.112	-	18.112
Total general insurance contract liabilities	63.486.664	45.361.712	18.124.952	64.000.860	50.500.408	13.500.452

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:

	2013 Insurance contract liabilities US$	2013 Reinsurers' share of liabilities US$	2013 Net liabilities US$	2012 Insurance contract liabilities US$	2012 Reinsurers' share of liabilities US$	2012 Net liabilities US$
1 January	(26.887.977)	(22.088.206)	(4.799.771)	(21.536.188)	(18.079.554)	(3.456.634)
Provision for the year	34.562.233	31.165.746	3.396.487	26.150.887	24.679.902	1.470.985
Claims paid during the year	21.174.898	11.985.011	9.189.887	22.273.278	15.487.858	6.785.420
31 December	28.849.154	21.062.551	7.786.603	26.887.977	22.088.206	4.799.771

14. General insurance contract liabilities (continued)

The provision for unearned premiums is analysed as follows:

	2013			2012		
	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	37.094.771	28.412.202	8.682.569	24.382.558	17.778.181	6.604.377
Premiums written during the year	74.198.886	52.497.870	21.701.016	66.563.801	49.757.630	16.806.171
Premiums earned for the year	(76.675.019)	(56.610.911)	(20.064.108)	(53.851.588)	(39.123.609)	(14.727.979)
31 December	34.618.638	24.299.161	10.319.477	37.094.771	28.412.202	8.682.569

The provision for unexpired risks reserve is analysed as follows:

	2013			2012		
	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	18.112	-	18.112	135.499	-	135.499
Provision for the year	760	-	760	(117.387)	-	(117.387)
31 December	18.872	-	18.872	18.112	-	18.112

15. Related party transactions

Balances due from/ (to) related parties as at 31 December 2013, were as follows:

	2013 US$	*2012 US$*
Premiums receivable from related companies	6.655.476	2.748.668
Premiums receivable from parent company	27.035	13.714
Premiums receivable from/ (to) directors	8.255	(286)
Receivables from related companies	18.641.989	12.216.714
Payables to related companies	(3.326.692)	(4.442.110)

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

	2013 US$	*2012 US$*
Gross premiums ceded by related companies	49.839.393	47.726.997
Gross premiums ceded to related parties	-	171.000
Direct insurance premiums with directors	29.678	31.993
Direct insurance premiums with parent company	11.325	11.883
Rent, utilities and other expenses charged to parent company	48.154	38.362
Internal audit fees charged by parent company	(52.916)	(70.045)
Other services/ expenses charged by parent company	(1.340)	(8.687)
Commissions paid to related companies	(9.515.334)	(8.935.705)
Claims paid to related companies	(12.129.239)	(15.372.893)
Fees from related companies	4.272.220	4.568.625

15. Related party transactions (continued)

The compensation of the Directors and key management personnel for the years ended 31 December was as follows:

	2013 *US$*	*2012* *US$*
Directors		
Fees	84.250	83.283
Key management personnel		
Salary and other short term benefits	770.144	708.544
Employer 's contributions for social insurance, etc.	60.289	52.959
Retirement benefit plan costs	22.946	21.525
	853.379	783.028

The key management personnel comprise of the Chief Executive Officer, the Chief Operating Officers, the Financial Controller, the Business Development Manager, the Operations Manager and the Claims Manager.

16. Other creditors and accrued expenses

	2013 *US$*	*2012* *US$*
Amounts due to reinsurers for premium reserve retained	563.774	355.763
Amounts payable to Group Insurance pools/ funds	5.560.388	3.004.819
Amounts due to claimants	335.010	381.617
Motor Insurers Fund	193.806	158.288
Provision for expenses	669.457	533.419
Other provisions and reserves	661.791	467.527
Other creditors	1.241.808	147.735
	9.226.034	5.049.168

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.

17. Fair values of financial instruments

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 – see Note 9 for disclosures in relation to the investments of the Company that are measured at fair value.

18. 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.

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

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:

2013

	2008 and prior years	*2009*	*2010*	*2011*	*2012*	*2013*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Year of loss	192.211	343.523	2.690.317	5.436.306	7.870.930	11.534.305	28.067.592
After a year	(33.361)	18.083	427.686	442.115	692.913	-	1.547.436
After two years	(21.871)	570	103.672	169.446	-	-	251.817
After three years	-	3.634	7.537	-	-	-	11.171
After four years	-	1.963	-	-	-	-	1.963
Present estimate for claim	136.979	367.773	3.229.212	6.047.867	8.563.843	11.534.305	29.879.979
Total payments	(136.979)	(351.088)	(2.777.379)	(5.252.856)	(7.202.343)	(7.057.079)	(22.777.724)
Total outstanding claims	-	16.685	451.833	795.011	1.361.500	4.477.226	7.102.255
Share of reinsurers	-	-	-	(54.550)	(104.905)	(445.401)	(604.856)
Net liability	-	16.685	451.833	740.461	1.256.595	4.031.825	6.497.399

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

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. 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.

19. 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*
2013	*US$*
+ 0,5%	24.745
- 0,5%	(24.745)
2012	
+ 0,5%	4.800
- 0,5%	(4.800)

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 table below indicates the effect on the Company's net profit and equity respectively, over a one-year period, from reasonably possible changes in the USD/JOD exchange rates, as the Company's most significant exposure is in Jordanian Dinars (JOD). The most significant asset denominated in a another currency is the investment in a listed bank in Qatar – refer to price risk below:

Changes in USD/JOD exchange rates	*2013* *Effect on equity*	*2012* *Effect on equity*
	US$	*US$*
+ 0,5%	287.368	288.951
- 0,5%	(287.368)	(288.951)

	Effect on profit *US$*	*Effect on profit* *US$*
+ 0,5%	323.998	314.811
- 0,5%	(323.998)	(314.811)

19. Risk management (continued)

Currency risk (continued)

Analysis of assets and liabilities by currency

The below table presents an analysis of the Company's assets and liabilities by currency as at 31 December 2013 and 31 December 2012.

31 December 2013	*Balances in United States Dollars*	*Balances in Euro*	*Balances in Jordanian Dinars*	*Balances in other currencies*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*
Assets					
Property and equipment	-	510.381	7.338.047	-	7.848.428
Intangible assets	-	921.544	7.894	-	929.438
Investments	-	48.078	8.120.025	4.996.123	13.164.226
Deferred tax assets	-	273.643	-	-	273.643
Reinsurers' share of insurance contract liabilities	45.350.589	11.123	-	-	45.361.712
Deferred acquisition costs	-	2.466.467	-	-	2.466.467
Reinsurers current accounts	2.437.666	-	-	-	2.437.666
Receivable from related companies	18.421.219	220.770	-	-	18.641.989
Premiums receivable	6.915.516	8.434.737	-	-	15.250.573
Other debtors and prepayments	265.887	444.651	191.294	-	901.832
Cash and cash equivalents	2.349.160	7.727.178	1.902.076	13.858	11.992.272
Total assets	75.740.037	21.058.572	17.559.336	5.009.981	119.268.246
Liabilities					
Income received in advance	1.950.722	-	-	-	1.950.722
Insurance contract liabilities	44.438.152	19.048.512	-	-	63.486.664
Reinsurers current accounts	9.784.179	104.668	-	-	9.888.847
Payables to related companies	3.238.370	(16.007)	(30.349)	134.678	3.326.692
Other creditors and accrued expenses	7.657.682	1.164.411	314.579	89.359	9.226.034
Total liabilities	67.069.105	20.301.587	284.230	224.037	87.878.959
Net position	8.670.932	756.985	17.275.106	4.785.944	31.389.287

19. Risk management (continued)

***Currency risk** (continued)*

Analysis of assets and liabilities by currency

31 December 2012	Balances in United States Dollars	Balances in Euro	Balances in Jordanian Dinars	Balances in other currencies	Total
	US$	*US$*	*US$*	*US$*	*US$*
Assets					
Property and equipment	-	530.617	7.906.910	-	8.437.527
Intangible assets	-	797.576	5.927	-	803.503
Investments	-	206	8.149.795	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	625.089	319.359	57.932	-	1.002.380
Cash and cash equivalents	3.488.013	4.182.846	1.156.913	30.178	8.857.950
Total assets	71.909.515	15.125.855	17.277.477	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	3.778.512	1.022.145	248.511	-	5.049.168
Total liabilities	65.545.958	14.739.543	248.511	-	80.534.012
Net position	6.363.557	386.312	17.028.966	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.

19. Risk management (continued)

***Price risk** (continued)*

	Changes to the Index %	Effect on equity US$
2013		
Qatar Stock Exchange	+30	1.498.840
Qatar Stock Exchange	-30	(1.498.840)
2012		
Qatar Stock Exchange	+30	1.070.000
Qatar Stock Exchange	-30	(1.070.000)

For equity securities measured at fair value using valuation model based on non-observable inputs (Level 3), sensitivity analysis is presented in Note 9.

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 expected maturity

31 December 2013	*Within one year* US$	*Over one year* US$	*Total* US$
Assets			
Available for sale investments	13.116.429	-	13.116.429
Investments at fair value through profit or loss	47.797	-	47.797
Reinsurers' share of insurance contract liabilities	45.361.712	-	45.361.712
Reinsurers current accounts	2.437.666	-	2.437.666
Receivables from related companies	18.641.989	-	18.641.989
Premiums receivable	15.250.573	-	15.250.573
Other debtors and prepayments	901.832	-	901.832
Cash and cash equivalents	11.992.272	-	11.992.272
Total assets	107.750.270	-	107.750.270
Liabilities			
Insurance contract liabilities	63.461.773	24.891	63.486.664
Reinsurers current accounts	9.888.847	-	9.888.847
Payable to related companies	3.326.692	-	3.326.692
Other creditors and accrued expenses	9.226.034	-	9.226.034
Total liabilities	85.903.346	24.891	85.928.237
Net position	21.846.924	(24.891)	21.822.033

19. Risk management (continued)

***Liquidity risk** (continued)*

Analysis of financial assets and liabilities by expected maturity

31 December 2012	*Within one year*	*Over one year*	*Total*
	US$	*US$*	*US$*
Assets			
Available for sale investments	11.716.705	-	11.716.705
Reinsurers' share of insurance contract liabilities	50.500.408	-	50.500.408
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	97.086.885	-	97.086.885
Liabilities			
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	5.049.168	-	5.049.168
Total liabilities	78.018.563	29.832	78.048.395
Net position	19.068.322	(29.832)	19.038.490

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.

19. 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 2013	*Aa3*	*B++*	*C-Caa3*	*D-D+*	*E*	*Unrated*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Equity Shares (Note 9)	887.657	-	-	4.108.466	47.797	8.120.306	13.164.226
Deposits with banks (Note 10)	-	-	3.060.536	2.529.632	1.851.509	4.380.150	11.821.827
Current accounts with reinsurers	10.816	2.971	-	-	-	2.423.879	2.437.666
Total	898.473	2.971	3.060.536	6.638.098	1.899.306	14.924.335	27.423.719

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
Total	740.985	211.480	6.462.477	2.091.958	14.421.546	23.928.446

Reinsurers' share of insurance contract liabilities (Note 14)

The Company places a lot of emphasis on its counterparty default risk for reinsurance and the following considerations are part of the reinsurance policy of the Company:

- Risk Distribution: Reinsurance is shared by a number of reinsurance companies in order to diversify the counterparty default risk for reinsurance and reduce the concentration risk. As a result there is no over-reliance on any one reinsurer over a predefined maximum level of exposure.
- Financial Strength Rating: Reinsurers are selected according to minimum credit ratings from S&P and AM Best, with adequate distribution over different credit rating bands. Reinsurers are selected subject to a satisfactory review of their financial status, their reinsurance arrangements and past performance.

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.

19. Risk management (continued)

Capital management (continued)

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.

The minimum solvency margin required by the Insurance Legislation is calculated using a formula that contains variables for premiums, claims and reserves and amounted to US$7.566.557 or €5.442.000 for the year 2013 and US$6.335.731 or €4.748.000 for the year 2012.
The Company fully complies with the legal capital requirements set by the Superintendent of Insurance, during the reported accounting periods.

20. Capital commitments

At 31 December 2013 and 2012 the Company had no commitments for capital expenditure.

21. Events after the reporting date

On the 10th January 2014, the Company signed an agreement for the purchase of immovable property in Aglantzia consisting of two plots of land and one building of offices, and a construction agreement for the same building, which will be utilised as the Company's Head Offices. According to the agreement the purchase price of the property is €3.924.000 (US$5.455.930) most of which is payable upon the transfer of the property in the name of the Company, which should be effected within 15 weeks from signing the agreement. According to the construction agreement, the Company engages the services of the contractor GDE Developers Ltd for the completion and delivery of all construction works for the amount of €1.040.000 (US$1.446.016), which is payable by instalments based on the progress of the construction works. The purchase of the building will be partly financed for the amount of €3.500.000 by a facility from a group company.